Austria	Sch22	Indonesia	Rp3100	Oman	Or1
Bahrain	Din0.700	Iran	Rls215	Philippines	Pes40
Belgium	BFr50	Israel	Shk3.80	Portugal	Esc140
Cyprus	C£0.80	Italy	L2000	Qatar	QR8.00
Denmark	DKr14.00	Jordan	Fils750	S.Arabia	SR7.00
Egypt	E£3.25	Kuwait	Fils.600	Singapore	S$4.10
Finland	Fmk7.50	Lebanon	$US1.25	Spain	Pta170
France	FFr7.00	Lux	LFr50	Sweden	SKr12
Germany	DM2.50	Malaysia	M$4.50	Switz	SFr2.80
Greece	Dr125	Morocco	Dh8.00	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.850
Iceland	Ikr125	Nigeria	Naira10	Turkey	L3200
India	Rp15	Norway	NKr11.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,981 — Wednesday October 25 1989 — D 8523A

FRANCE

Peugeot counts the cost of strike

Page 3

Shevardnadze walks the corridors of non-Communist power

MR Eduard Shevardnadze, the Soviet Foreign Minister, had tha air of a man feeling his way through unfamiliar surroundings yesterday as he mounted the stairs of the Polish Foreign Ministry to be greeted by its new chief, Mr Krzysztof Skubiszewski, writes Christopher Bobinski from Warsaw.

"All this is new to me," the visitor admitted, as he shook hands with his freshly-installed counterpart, the 63-year-old legal expert and Solidarity nominee.

The ministry, of course, was not entirely new to Mr Shevardnadze; he had been there many times before, but under quite differeot circumstances.

As they sat down in the new minister's office, Mr Skubiszewski explained he had switched rooms because "eveo though this one was noisier, it had more daylight."

Mr Shevardnadze murmured that he remembered the old quarters.

"Yoo will be meeting Mr Jozef Czyrek later at dinner," Mr Skubiszewski said, referring to a Communist official that his Soviet guest would recall as the Polish Communist Party's Foreign Policy Secretary, now working for President Wojciech Jaruzelski.

It sounded like an effort which was meant to reassure the guest that not *too* much had changed.

Mr Shevardnadze will be on more familiar ground today when he meets Geo Jaruzelski and the Communist chief, Mr Mieczyslaw Rakowski.

This week's annual meeting of Warsaw Pact foreign ministers is the first at this level since the emergence of the reform movement in East Germany, the decision by Hungary's ruling party to hold free elections, and the installation of Poland's new Government.

As yet, Mr Shevardnadze's itinerary does not include a visit to Poland's Parliament, where he would have to meet Solidarity deputies, including Mr Bronislaw Geremek, chairman of the Foreign Relations Committee.

This gap in his schedule may indicate that Moscow is not quite ready to accept everything that has happened in Poland since the June elections. It may also indicate that hopes of a visit to Moscow by Mr Lech Walesa, which were high last July after the elections, have now faded.

Yesterday, Rzeczpospolita, the government newspaper which is oow firmly under Mr Mazowiecki's control, wrote on the occasion of Mr Shevardnadze's visit: "We respect the right of our eastern neighbour to have a security sphere, and we see him as the main guarantor of our security, but we want to arrange our internal affairs in a sovereign way."

Soviet Union shifts its media image, Page 10

World News

Israel moves towards US position on peace talks

Israel informed the Bush Administration that it accepted a US proposal for Palestinian negotiations provided that the PLO was not represented and that the agenda was restricted to arrangements for Israeli-proposed elections in the Gaza Strip.

A State Department spokesman, however, insisted the two sides still disagreed on some points. Page 4

Amnesty report

Tens of thousands of people were deliberately killed during 1988 by government agents, mainly in the Third World, according to Amnesty International. Page 4

Soviet visit to Tokyo

Senior Kremlin figure, Alexander Yakovlev, will lead a delegation of Soviet parliamentarians to Japan early next month. Page 4

Texas plant blast

Firemen brought the blaze at a shattered Texas chemical complex under control. 23 workers were missing and one was confirmed dead. Page 18

Brazil's left gains

A sharp improvement in the fortunes of the most left-wing candidate in Brazil's forthcoming presidential elections sent a shiver through the country's business community. Page 6

Peruvian emergency

Peru declared a state of emergency in the capital for the second time in six months after an upsurge in left-wing guerrilla attacks.

Polish debt move

Western governments are expected to agree to waive Polish debt repayments for the rest of the year pending a review of how Warsaw will restructure its economy.

Koreans sentenced

Some 36 South Korean students were sentenced in a Pusan courtroom to jail terms ranging from 30 months to life for taking part in a campus riot in which seven policemen died. Page 4

Hong Kong clash

Sharp differences emerged between China and Hong Kong over a day-old agreement on handing back Chinese nationals illegally in the colony. At the Commonwealth summit Britain won the support of the Commonwealth for the people of Hong Kong. Summit reports, Page 4

Thai PM visits China

Thai Prime Minister Chatichai Choonhaven arrived in China on the first stop of a diplomatic offensive aimed at gaining support for peace in Cambodia.

Colombian offer

Colombian drug traffickers offered to suspend a bombing campaign if the Government stopped extraditing accused smugglers to the US.

US evangelist jailed

Jim Bakker, the former US television evangelist, was sentenced to 45 years in jail and fined $500,000 for defrauding his followers to pay for cars, holidays and several expensive homes.

Separately, Zsa Zsa Gabor was sentenced to serve 72 hours in jail and perform 120 hours of community service at a shelter for homeless women for striking a police officer.

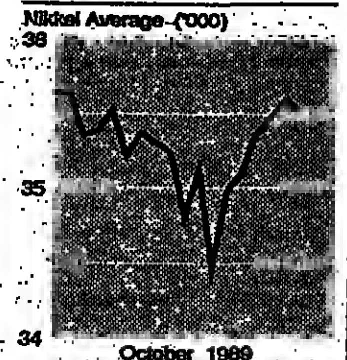
Business Summary

US proposes removal of farm export subsidies

THE US will unveil in Washington and Geneva today the most complete and clearly articulated programme for agricultural reform so far tabled in the current multilateral trade talks.

The proposal calls for the elimination of all export subsidies on farm produce within five years and phased removal of domestic supports that directly affect farm production and prices over 10 years. Page 18

NIKKEI average: share prices in Japan closed lower for the first time in six trading days but the Nikkei average turned sluggish only after early gains had pushed it close to its record high of 35,689.98, reached last month. Page 41



DENTSU, Japanese marketing group which is the world's biggest advertising agency, plans to expand in the US and Europe by acquiring an international advertising network. Page 19

FORD, US automotive group, revealed it now holds at least 11.95 per cent of the equity of Jaguar, UK luxury car maker, and told US authorities it was "prepared to make a bid for 100 per cent." Page 19

BANKERS Trust, New York bank, reported a third-quarter net loss of $1.42bn, the result of a previously announced $1.6bn extra provision for possible losses on Third World debt, down from a net income of $162.1m in last year's third quarter. Page 22

TIME Warner reported a $176m loss for the third quarter reflecting heavy interest and other expenses from the $13bn merger this summer which created the sprawling entertainment and publishing group. Page 22

PRIME Computer, big computer equipment maker acquired in August by J.H. Whitney venture capital firm, has begun restructuring which will include a 20 per cent or 2,500 cut in jobs. Page 22

INCO, world's largest nickel producer, reported a 35 per cent decline in third-quarter earnings to $129.3m compared with $200.3m in the same period last year. Page 22

DEN Norske Creditbank and Bergen Bank, Norwegian banks which are merging to form Scandinavia's seventh largest bank, have agreed an exchange ratio for shares: two DnC shares for one Bergen Bank share. Page 20

TENNECO, Houston-based conglomerate, reported a doubling of profits from its main businesses in the third quarter to $90m, thanks largely to strong gains in its farm machinery business. Page 22

SALOMON Brothers, Wall Street securities house, reported third quarter net income of $177m up from $65m in last year's third quarter. Page 21

ITT Sheraton and Pan American World Airways announced plans to build the first US hotels in Moscow in partnership with Mosocvlet, the governing body of Moscow, and Aeroflot, the Soviet airline.

East Germany's new leader offers dialogue but protests continue

By Leslie Colitt in Berlin

EAST Germany's hard-pressed new party leader, Mr Egon Krenz, offered a dialogue with the population and the hope of reforms after his election as State President with a record number of dissenting votes in the normally docile Parliament.

Within hours of his appointment, thousands of pro-reform protesters marched through the centre of East Berlin, near the Parliament building where the ballot was held.

Deputies in the People'a Chamber were astonished when 26 hands rose against Mr Krenz's election to succeed Mr Erich Honacker, and 26 abstained out of 499 representatives present.

The dissenting votes came from the tiny Liberal Democratic and Christian Democratic parties which are allied with the ruling Socialist Unity (Communist) Party. The election followed Monday's civil rights demonstrations by at least 150,000 people in Leipzig and several thousand in East Berlin.

In a strikingly conciliatory tone, Mr Krenz yesterday asked for co-operation from a restive populace. He appealed to East Germans who were considering leaving the country to remain. "Our country is undergoing a new beginning," he said.

Mr Krenz said every citizen was needed for "trustful co-operation" and added that "socialist society" was in the middle of a learning process. "We are learning to live openly with our contradictions," he said. But be stressed that the Party's leading role in society would be maintained. Mr Krenz, who supervised elections earlier this year which drew charges of ballot-rigging by the opposition, said the election law was under study and could be changed.

He also expressed "regret" for the harsb police actions against demonstrators in Berlin on October 7 and 8. Tens of thousands of East Berliners have protested against police brutality, blaming Mr Krenz who was in charge of internal security. Mr Wolfgang Herger, chairman of the parliamentary committee for defence, admit-

Continued on Page 18

Leipzig's powerful pastor, Page 2; Other East Europe news, Page 2

Egon Kreuz in East Berlin yesterday: hands clasped in victory

Wall St rallies at close after wild swings

By Janet Bush in New York

THE US stock market swung wildly yesterday, first plunging in the wake of news that the board of UAL had effectively killed any revised buy-out plan and then rallying with the help of programme trading in the last hour.

The Dow Jones Industrial Average, which slumped 85 points yesterday morning, recovered most of that loss to close 3.69 points lower at 2,659.22. Both movements were influenced by stock index arbitrage between the futures and cash markets.

Other exchanges, less affected by computerised trading strategies, did not share in the late recovery in blue chip issues. Share prices on both the American Stock Exchange and the Nasdaq electronic over-the-counter market closed sharply down.

As well as disappointment over the UAL news, there was concern about disappointing third quarter corporate earnings announcements and more evidence of weakening in the economy.

It was the equity market's shakiest and most volatile session since the 190 point fall on October 13. As stocks slumped yesterday morning, there was a flight to quality into the government bond market which rallied strongly. The US Federal Reserve again made it clear that it was prepared to be generous in providing liquidity to the banking system to calm nerves.

Within an hour of the opening, the Dow index of blue chip issues had dropped 85 points as waves of programme selling hit the New York Stock Exchange. Standard & Poor's 500 futures contracts traded on the Chicago Mercantile Exchange dropped to their 12

Continued on Page 18

Capital goods orders drop, Page 6

British current account deficit eases to £1.64bn

By Our Political and Economic Staff

THE BRITISH government's difficult task in slowing the economy without provoking a recession was underlined yesterday by news of a £1.64bn ($2.61bn) current account trade deficit in September and of a sharp fall in business confidence.

However, Mr Nigel Lawson, the Chancellor of the Exchequer, yesterday gave an optimistic assessment of the country's economic outlook in parliament and reaffirmed his high-interest rate policy.

The current account deficit, revealed in official figures, was lower than August's £2bn, but still indicated a deficit for the year as whole of about £21bn. The September figure was in line with market expectations.

The drop in confidence was shown in the quarterly business trends survey from the Confederation of British Industry, the employers' organisation, which suggested gloomy prospects for investment and employment.

The CBI survey, most of which was conducted before Mr Lawson raised bank base rates to 15 per cent earlier this month, indicates that overheating in the economy has cooled significantly. Capacity constraints appear to be easing, with companies reporting less pressure from skilled labour shortages.

But it is clear from the survey that high interest rates are taking their toll of industrialists' confidence. Investment intentions have weakened and, for the first time since January 1983, replies to the survey suggest that investment could fall next year.

London analysts said the CBI's survey showed industry was coping relatively well with the Chancellor's monetary medicine. Some, however, said it indicated that the risks of recession had been raised.

The Treasury said the survey provided evidence that the Government's economic policy was working. It noted that capacity constraints were easing, although from a high base, and that the survey indicated a slowing in investment from an already high level.

In some respects, however, the CBI survey was difficult to reconcile with the September trade figures which were published by the Central Statistical Office.

These showed a sharp 13 per cent rise in exports to a record £8.4bn last month compared with August. Imports at £10.4bn were also a record in September, indicating that domestic demand continued to be buoyant.

Britain's visible trade deficit in September totalled £1.94bn, bringing to £18.65bn the cumulative visible trade deficit for the first nine months of 1989.

After deducting an estimated £3.1bn invisible trade surplus, Britain's current account deficit for the period from January to September came to £15.6bn – higher than last year's full-year deficit of £14.6bn and than Mr Lawson's projection during last year's March budget of a £14.5bn current deficit for the whole of this year.

The Treasury said an 8.5 per cent rise in the volume of exports in the third quarter compared with last year showed that UK exporters were competitive and benefiting from the supply-side reforms of recent years.

Although the latest figures showed a 10 per cent jump in the volume of imports in the latest quarter, compared with a year ago, Treasury officials

Continued on Page 18

FM pressed, Page 10; Trade and survey background, Page 9

UK buy-out group seeks bank concessions, suspends shares

By Stephen Fidler and Maggie Urry in London

MAGNET, the UK kitchen and building supplies group, said yesterday it had requested concessions from its bank creditors – five months after completing a £630m ($958m) management buy-out.

Stock market trading in the company's convertible in London and preference shares was suspended to await the outcome of talks with banks, expected to last some weeks, over a financial restructuring.

Magnet is one of a number of large UK management buyouts in the retailing sector to hit difficulties. Problems were experienced in the summer by the furniture retailers, MFI and Lowndes Queensway, which arranged refinancings involving raising new equity.

Rising interest rates have delivered a double blow to the company: increasing an already large interest bill, while reducing demand for new kitchens which has badly hit turnover. Group sales are thought to be down despite the opening of new stores.

Magnet has 292 shops, largely supplied by its 10 factories which make kitchen and bedroom furniture, and joinery products such as doors, windows and staircases. The group's expansion programme, a vital to the strategy presented to lenders when raising the buyout financing, has been slowed and there have been job losses at the factories.

This means the company will not be able to achieve the ambitious profit targets built into the buyout plan which envisaged 15 per cent growth in each of the next three years. This will leave it in technical breach of covenants on its loan agreements by the end of its financial year in March.

A management buyout involves the purchase of a company by its managers, financed through creation of large amounts of debt. The Magnet buyout proved particularly controversial, meeting opposition from shareholders who object to managements with access to inside information making bids for their own companies. Some shareholders were also concerned at the make up of the securities they were being offered.

Analysts said if the bid had not gone through the shares would now be trading well below the 300p a share ordinary shareholders received.

Bankers Trust, the US bank which leads Magnet's creditors, said it expected a prompt restructuring of the debts. "The bank is confident that the redesigned financing package that will take into account the present economic conditions faced by the retail industry including Magnet, will enable Magnet to withstand the changed circumstances."

Bank loans of £562.5m were arranged to help finance the operation.

Lex, Page 18

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime: $1.6085	New York lunchtime: DM1.834	FT-SE 100: 2,149.3 (−40.4)
London: $1.6065 (1.595)	FFr6.231	FT Ordinary: 1,739.3 (−33.8)
DM2.955 (2.9575)	SFr1.6075	FT-A All-Share: 1,084.01 (−1.7%)
FFr10.0375 (10.0475)	Y141.35	New York closing DJ Ind. Av. 2,659.22 (−3.69)
SFr2.59 (2.5925)	London: DM1.839 (1.855)	S&P Comp 339.34
Y227.5 (227)	FFr6.2425 (6.3)	Tokyo: Nikkei 35,526.55 (−58.97)
£ Index 89.2 (89.7)	SFr1.612 (1.625)	LONDON MONEY
GOLD	Y141.55 (142.3)	3-month interbank: closing 15⅛% (15⅛)
New York: Comex Dec $(370.2)	$ Index 69.4 (69.9)	Liffe long gilt future: Dec 93⅜ (92¾)
London: $(366)	Tokyo close: Y142.1	
N SEA OIL (Argus) Brent 15-day Nov $(18.95)	US LUNCHTIME RATES Fed Funds 8⅝%	
	3-mo Treasury Bills: yield: 7.667%	
	Long Bond: 102⅞ yield: 7.883%	

Chief price changes yesterday: Page 19

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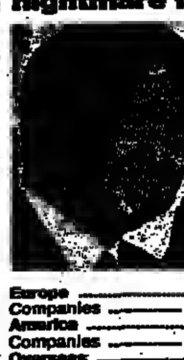

Japan dreams of an end to nightmare land prices

Many Japanese are fed up with paying over $3400 per square metre for Tokyo property. But new Prime Minister Toshiki Kaifu (left) appears to be getting serious about bringing down the country's crippling land prices. Page 4

US says nuclear pact could be ready by summit

By David White in Vilamoura, Portugal

A START treaty halving superpower arsenals of long-range nuclear weapons could be ready in time for the planned US-Soviet summit meeting next summer, in line with recent Soviet forecasts, Mr Dick Cheney, the US Defence Secretary, told Nato allies here yesterday.

However, Washington would not work against a deadline in overcoming remaining obstacles to a treaty.

Mr Cheney, backed up by senior officials from the Strategic Defence Initiative (SDI) programme and US Space Command, gave Nato defence ministers an intensive briefing on US and Soviet capabilities.

US intelligence had found no change in Moscow's strategic arms, space and naval armament programmes since Mr Mikhail Gorbachev's arrival in power, he warned.

The ministers were meeting for the first time since the alliance summit in May which managed to strike a compromise in the row about renewing European-based nuclear missiles and the desire of some governments for Nato to begin negotiations with the Warsaw Pact on tactical nuclear arms.

The meeting of the Nato Nnclear Planning Group, which excludes France, sought to avoid a resurgence of these issues, although the US also reported on its progress in developing new land-based and air-launched weapons for the European theatre.

Mr Cheney is due to fly to London today with Mr Tom King, Britain's Defence Secretary. Their talks are expected to include the new 155mm nuclear howitzer shell which the US plans to start producing next year for its own and allied armies.

The officials said the future deployment in Europe of US F-15E aircraft, designed to carry a new air to surface nuclear missile, was not discussed at the meeting.

Meanwhile, Britain has ruled out the deployment in the UK of US air-launched cruise missiles, carried by B-52 bombers. This was one of the options in the so-called restructuring of Nato's nuclear forces to compensate for the effects of removing intermediate range ground based missiles under the 1987 INF Treaty.

Leipzig's powerful pastor spreads the gospel of democracy

By Leslie Colitt in Leipzig

PASTOR Christoph Wonneberger's rectory, surrounded by the rotting tenements of East Leipzig, is a nerve centre of the opposition movement in East Germany's second largest city.

The radical 45-year-old Protestant pastor arguably has more influence in his region of Saxony than any minister since Martin Luther. Last Monday, more than 150,000 demonstrators for democracy surged through the streets of Leipzig where the pastor has been preaching civil disobedience at Luke's Church for nearly five years.

Leipzig's decayed housing and air dense with pollution from nearby brown coal processing plants and power stations make life a permanent ordeal. The bi-annual Leipzig Trade Fair which briefly fills the shops with goods and brings in swarms of West Germans driving shiny new cars has only served to radicalise the population.

Pastor Wonneberger is pressing the opposition's political demands in talks with local Communist party and city officials. The talks were backed by the East Berlin leadership in an attempt to lower tensions in East Germany's industrial heartland.

One of his demands has been for a large bulletin board to be erected in the centre of Leipzig where citizens can put up uncensored information.

"This would prove how serious the authorities are about freedom of the press," he said. He has also called for the party to repeal the law forbidding citizens to own copying machines. The pastor is planning to publish East Germany's first opposition monthly in the rectory and has been promised ink and paper by complete strangers.

"There is a remarkable new spirit of solidarity here," he noted.

Recently, he was at the post office to arrange for a telephone to be connected in a rectory office where he provides information to the Western media. Normally, it takes two weeks to instal a phone but the postal official offered immediate help at no cost.

"He called me up the next day to comment on the excellent quality of the phone line after he heard an interview I gave to the second TV channel in West Germany," Pastor Wonneberger said smiling.

For a long time he was virtually alone among his fellow pastors, operating on the borderline of what was tolerated both by the authorities and his own church. He co-ordinated the work of the "church below," civil rights groups which were sheltered by the church.

The pastor is one of the few Protestant churchman in East Germany to enjoy a following among workers. On my way to his rectory in Julius Strasse I stopped to ask directions from several construction workers. "Give our regards to the pastor and tell him to put up some new information on his board," they said.

Pastor Wonneberger is sceptical about Mr Egon Krenz, the new party leader, but says he should be given a chance. Under no circumstances should there be a let-up in the protest demonstrations which were instrumental in getting the leadership to begin talking about reforms.

But if no deep-going structural reforms were begun soon, he warned, there was a real danger that the hitherto peaceful demonstrations in Leipzig could turn violent.

Finns look to Gorbachev for gesture of regret over wartime attack

By Robert Taylor and Enrique Tessieri in Helsinki

SOVIET President Mikhail Gorbachev's first official visit to Finland, starting today, comes at a poignant moment in the tangled story of the two countries' relations.

It takes place just over a month before the 50th anniversary of Stalin's unprovoked military assault on Finland – which started what Finns call the Winter War.

Many Finns hope he will take the opportunity to make an appropriate gesture of public regret, even atonement, for an event that still has deep emotional significance. The Finns seem unlikely to emulate German "Gorbymania."

They have seen many Soviet leaders come and go, and they harbour an understandable, worldly-wise, reserve about the present incumbent.

Mr Gorbachev has come to talk business. He will sign a framework accord covering the next five years of bilateral trade under an arrangement which began in 1948.

He will also sign 10 joint venture projects with Finnish firms, including a major deal with the Finnish pulp and paper conglomerate Enso-Gutzeit for the production of pulp from the birch forests of Soviet Karelia.

There is also the promise of an announcement on a major feasibility study for joint exploitation of gas and mineral reserves in the Kola peninsula involving major Finnish companies.

The wider Kola project will also cover scientific co-operation between the two countries, hotel and tourism developments and management training.

The Finns prefer not to admit it but the economic relationship looks like a colonial one with Finland as the imperial economic power supplying capital and skills and the Soviet Union the raw materials and cheap, unskilled labour.

The gap in development between the two countries has widened dramatically over the past 20 years. Finland's market economy is an unsung success story of the 1980s with one of the highest growth rates in the Western world.

But for his part, Mr Gorbachev is in a position to establish a firm friendship with Finland if he confronts his own country's culpability for the Winter War.

A leading Finnish historian on the Second World War, Mr Max Jacobson, believes there has been a crucial change in Soviet attitudes to the Winter War under perestroika.

"Stalin said Finland attacked the Soviet Union...this was so obviously ridiculous that for the next forty years the Soviets simply remained silent on the whole episode," admits Mr Jacobson.

"But now they are coming to terms with it. Recently Mr Jacobson had an article published in Pravda's literary supplement about the Winter War, the first time that Soviet readers were given the chance to understand the Finnish point of view.

It was Harold MacMillan, that Balliol classicist, who said that the War, which lasted until 13 March, 1940, was for the Finns "a Thermopylae every day."

As Mr Jacobson writes, the Finns achieved "victory in defeat."

Unlike the Baltic states which were annexed by Stalin, Finland survived as a free and democratic country. It went on to fight for the recovery of Karelia as an uneasy ally of Hitler in Operation Barbarossa against the Soviet Union and then in 1944 after an armistice with Stalin, the Finns agreed to expel by force the German troops still based on their soil.

Of course, the country was forced to pay a high price in war reparations to the Soviet Union as a punishment for its involvement with the Nazis, though this proved to be a blessing in disguise, enabling the country to transform itself into a modern industrial economy.

And Finnish governments have always been compelled ever since to keep a careful eye on what the Soviet Union will tolerate in defence and foreign policy. "The West has never really understood our position," says Mr Jacobson. "But we are a defensively-minded people, who have never been occupied or humiliated."

Soviet vote to end seats for the boys

By Quentin Peel in Moscow

THE Supreme Soviet yesterday snubbed Communist leaders once again, voting to scrap the system of reserved seats for the party and its allied public organisations in the country's super-parliament, the Congress of Peoples' Deputies.

To applause from the assembled deputies, the Supreme Soviet voted 254-85 for a recommendation to scrap a third of the seats in the Congress – the country's overriding legislative body – which are currently reserved for bodies like the Communist party, the trade unions, artistic unions, and similar organisations.

Now it will be up to the Congress itself, which elects the Supreme Soviet from its 2,250 members, to decide if it agrees.

The present system, which brought Mr Mikhail Gorbachev and most of the politburo into the Congress on a "golden list" of 100 names from the Communist party, was repeatedly attacked by deputies as being undemocratic, because it gave the members of public organisations in effect more than one vote.

Most of the official public organisations in the country – like the Soviet Women's Committee, the Soviet Peace Committee, the Unions of Writers, Artists and the industrial trade unions – are dominated by the ruling party. By having reserved seats, they ensured that the establishment could rely on a high proportion of its candidates being elected.

Mr Roy Medvedev, the one-time dissident historian who now chairs a commission set up by the Congress of Deputies, said yesterday that the ordinary members of such organisations were themselves scarcely involved in the elections. The deputies were decided at plenary meetings on lists predetermined by the presidium of the organisation.

The Supreme Soviet also approved an amendment allowing each of the country's 15 republics the right to choose for itself how to elect its parliament. This leaves open a contentious issue of whether to reserve seats in the future soviets for workers directly elected from factories – as favoured by conservative forces in the Communist party – or to leave all seats open to popular election.

It also allows republics to decide if they want their presidents to be directly elected, or indirectly chosen by the soviets. Although President Mikhail Gorbachev himself argued against direct election, the Supreme Soviet decided to leave the question open.

Today, three republics, including the Russian Federation, will open debate on the new electoral laws, with strong popular pressure not to set aside any reserved seats.

In Moscow, the city's Popular Front organisation is planning a mass demonstration holding hands around the Kremlin, where the Russian parliament meets, to press that demand.

Azeris defy Moscow with threat of national strike

By Quentin Peel in Moscow

A MASS meeting has been summoned today in Baku, capital of the Soviet republic of Azerbaijan, to decide whether to embark on a national strike in protest at Moscow's direct rule of the enclave of Nagorno Karabakh.

Such a strike would be in direct defiance of the new law baning such action in a range of key industries – including the railways and the oil industry, two of the most important in the republic.

The key to the outcome will be reports on a secret meeting of the Presidium of the Supreme Soviet in Moscow last week, chaired by President Mikhail Gorbachev, to decide how to resolve the conflict in Nagorno Karabakh, which has left the neighbouring republics of Azerbaijan and Armenia at loggerheads.

The Armenian majority in the enclave want to be transferred to Armenian jurisdiction, while huge rallies in Azerbaijan have demanded the opposite – that the region be subordinated to Baku.

Reports in Baku yesterday suggested that Moscow had agreed to end direct rule and withdraw the troops keeping order in the region, but there was no confirmation from the capital, where any such solution is seen as suicidal.

Deputies in the Supreme Soviet said they had heard that the special commission ruling the enclave would be expanded to include two more Azerbaijani members – but that no decision had been taken to withdraw the troops.

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EUROPEAN NEWS

French fears surface over Moslem immigration

A classroom dispute over the wearing of head-scarves by three Moslem girls has exposed deeper national concerns about migrants, writes Ian Davidson

FOR A WEEK now, France has been racked by anxious controversy over the place of the Moslem community in French society.

The debate was triggered by a clash over whether three Moslem girls should be allowed to wear an Islamic-type head-scarf in their class-room. They insisted on doing so, and the headmaster excluded them from the school.

Ever since, debate has raged furiously over whether the girls (and their families) were attempting to display a religious emblem which would infringe the lay principles of the state school system; or whether on the contrary the school system should have been more tolerant towards the wearing of cultural dress.

But behind the debate over the secular nature of the state school system, which has been an iron principle in France since the beginning of the century, there also appears to lie a more diffuse anxiety over the large proportion of France's immigrant community which originally came from the Moslem world. In addition, there are strong indications that pressure from would-be immigrants is again building up from the developing world.

Mr Michel Rocard, the Socialist Prime Minister, has tried to calm the controversy, with an appeal for tolerance; and his Education Minister, Mr Lionel Jospin, has followed suit: "Schools are there to accept children, not to exclude them. A head-scarf is not a reason for exclusion."

Mrs Danielle Mitterrand, the campaigning wife of the French President, has taken the same line. "If, today, 200 years after the Revolution, the secular character [of the schools] cannot welcome all religions in France, all forms of expression, that means there has been a set-back," she says.

But passions remain high, and most leading French politicians on both right and left, have come out strongly in favour of the decision by the school headmaster.

"My instinctive reaction," said Mr Charles Pasqua, former Gaullist Interior Minister, "is to say 'no' to the head-scarf, because it is a distinctive mark and, in a lay school, it is not normal." Mr Henri Emmanuelli, number two in the Socialist party, took the same line. "We must absolutely not accept that our schools become a place of confrontation for faiths and philosophies," he said.

However, the debate in France has not been conducted as a simple antithesis between native Frenchmen and immigrant Moslems. Some Maghreb immigrant associations openly oppose the wearing of traditional Moslem dress, on the grounds that it symbolises the subordination of women in Moslem society.

If the controversy has mainly been articulated in terms of the secular nature of the school system, it undoubtedly resonates particularly strongly because of the weight of Moslem immigrant communities in France. And the debate has almost certainly received extra impetus from the revelation that immigrant flows into France are much greater than had previously been thought.

In theory, new immigration was stopped dead in 1974, with the stagnation of the first oil shock, though France has continued to permit immigrants to be joined by their families. But the latest news, from the head of the Office of International Migrations, is that these family reunions involve large numbers of people, and that one way or another new arrivals in France are running at around 120,000 a year.

Moreover, there has been a sudden increase in the number of requests for asylum, which rose from 27,672 in 1987 to 34,352 in 1988, and which look like totalling 60,000 by the end of this year. Only a small proportion of such requests tend to be granted: 8,704 in 1987, and 8,794 last year. But applicants still get rights of abode and work while their cases are being processed, and at the end of the day many thousands of rejected applicants simply stay on as clandestine immigrants.

These figures are modest compared with the recent flood of immigrants into West Germany. But the intensity of the current controversy over the wearing of Moslem head-scarves in school strongly suggests that French opinion leaders are acutely sensitive to underlying social anxieties about the pressure of Moslem immigration.

Peugeot counts the cost of strike in more than lost output

The company's plants are working again but the stoppage revealed some important weaknesses, writes William Dawkins

MANAGEMENT at PSA, Europe's third largest motor manufacturer, was yesterday calculating the full cost of the most damaging wage dispute in its history.

Exhaustion and bitterness prevailed among the last strikers to trickle back to work yesterday at the group's two main Peugeot assembly plants at Mulhouse and Sochaux in north-eastern France.

"Peugeot – it is not finished," said Mr Henri Krasucki, secretary general of the Communist-led CGT, the most extreme of the seven unions in the strike. "They will be back . . . like many others," he warned. Even a member of the more moderate CFTC union, which started the move back to work, added: "Relations between strikers and non-strikers and between workers and management will be very difficult in the next few weeks."

It was seven weeks ago to the day when bodyshop workers at Mulhouse, main production centre for the 205 supermini, Peugeot's biggest selling model, first downed tools. Colleagues at nearby Sochaux joined them a week later, since when the strike halved production at both plants. The effect was remarkable, considering the strike was only joined by a small minority (1,000-2,000) of the two plants' 35,000 combined workforce.

Like a trench battle, the side with most endurance won only because the other ran out of ammunition; the real dispute – over the share-out of the fruits of Peugeot's hard won recovery – was never really resolved. The strikers ended up with a very small fraction of their FFr1,500 (£150) a month pay claim. They only returned in work when it dawned that Peugeot's management, perhaps unlike its more politically sensitive counterpart at Renault, was ready to sit it out indefinitely.

This has on the surface vindicated the tough style of Mr Jacques Calvet, Peugeot's chairman, who was greatly criticised for refusing even to negotiate with the unions until the Goverment called in a conciliator after five weeks. Yet the strike has also exposed a surprising weakness in Peugeot's labour relations, hitherto thought to be rather more stable than at Renault.

The immediate damage is the hold-up in production of 55,000-60,000 cars, roughly 4 per cent of this year's planned output of 1.377m vehicles. While Peugeot is still highly profitable, it will be able make up nothing like the full shortfall this year.

Capacity shortages have already lost it some French market share – currently just under 20 per cent, according to the industry's latest monthly figures. Peugeot has been struggling to keep pace with a strong upturn in demand, partly boosted by the Government's decision to reduce VAT on consumer goods from 28 per cent to 25 per cent.

The last time the car group had a dispute of anything like this seriousness was when workers rioted outside Peugeot's plant at Poissy just outside Paris. That was in protest against a stringent job-cutting, restructuring and factory modernisatiou plan launched by Mr Calvet, who had been called in by the Peugeot family to rescue the group.

He succeeded in putting his plan through, and, since becoming chairman in 1984, has masterminded one of the most spectacular recoveries anywhere in French industry. Having accumulated losses of FFr8bn between 1981 and 1984, Peugeot made FFr8.8bn last year alone. The PSA group, which also includes Citroen, now has 12.7 per cent of the West European car market.

While Peugeot was being turned round, its workers seemed prepared to accept lower wage awards than their counterparts at Renault, in the interests of letting Mr Calvet work his magic. Today, however, they feel the fact that they are paid on average 13 per cent less than Renault workers, is poor reward for their part in the company's renaissance.

Mr Calvet has always felt deeply unhappy about the amount of support Renault obtains from the state. But that does not diminisb the fact, he argues, that Peugeot needs more than ever to reinvest to hold its own in the decline in the European car demand he expects to come this year and next and to fight the new wave of competition from Japan.

Thanks to that effort, with investment running at 6 per cent of turnover in 1988, Peugeot plants are already highly automated. Stocks are also cut to almost zero thanks to the introduction of "just-in-time control" techniques. While this has cut costs, the strike has shown the importance of stable labour relations to making such a system work.

"It just takes one grain of sand in enter the machine and the whole thing goes out of action," says one Peugeot official, reflecting on the lessons of the strike.

But judging by the mood among jaded union officials yesterday, Mr Calvet's message of austerity is still a very long way from being accepted by the powerful minority at the heart of the strike. It might be said that he has won this battle, but not yet won the war.

W German foreign assets soar

By Andrew Fisher in Frankfurt

WEST GERMANY'S net foreign assets have more than tripled since the end of 1985 to reach DM427bn (£144bn) in the middle of this year, the Bundesbank said in its latest monthly report. After Japan, Germany is the world's second biggest creditor nation.

The net foreign asset figure compares with DM329bn in the middle of last year and only DM125bn at the end of 1985. The bank said that a higher proportion of the assets was now in the form of short-term investments.

The sharp rise in Germany's foreign wealth, a reflection of the strength of the economy and the country's correspondingly high surpluses, is in sharp contrast to the position in the US. At the end of 1982, US net claims abroad totalled nearly $140bn. But at the end of last year, US had net foreign indebtedness of some $530bn. German claims on foreign borrowers were equivalent to $200bn, while Japan was owed around $300bn.

The Bundesbank said that Germany's total foreign assets in mid-1989 were DM1,350bn compared with DM514bn at end-1985, making an average growth of around 15 per cent annually. Set against these were liabilities of DM923bn, or 30 per cent more than at the end of 1985.

Around 10 per cent of the assets represented direct investments, while 45 per cent comprised short-term investments. On the liabilities side, about 30 per cent of the total consisted of foreign holdings of German securities.

Swedish banker steps aside during tax probe

By John Burton in Stockholm

MR JACOB PALMSTIERNA, chief executive of Skandinaviska Enskilda Banken (SEB), Sweden's largest commercial bank, yesterday requested administrative leave because of a tax investigation into his personal financial affairs.

"The continuing legal investigation concerning my taxes and the intense publicity surrounding it risk harming the bank which I have served during my entire professional life," said Mr Palmstierna in a statement explaining the request.

It was accepted by the bank's board, which expressed full confidence in him less than two weeks ago.

Mr Palmstierna moved up to the top management post at SEB only last April.

The tax investigation concerns a lease-back arrangement on housing that was used by the bank's senior executives in the early 1980s and which authorities claim was a taxable fringe benefit.

"It is with great regret that I receive Jacob Palmstierna's request for administrative leave," said Mr Curt G Olsson, SEB chairman. "At the same time I have great respect for the difficult decision he has taken, with the bank's best interests at heart. I hope that it will not be long before I can warmly welcome him back to his place of work."

Ozal takes one step nearer presidency

The elevation to the presidency of Mr Turgut Ozal, Turkey's Prime Minister, moved a step closer yesterday as he saw an increase in his support in a second-round parliamentary vote, writes Jim Bodgener in Ankara. However, as in the first round ballot last Friday, the opposition parties boycotted the proceedings.

The 256 votes secured by Mr Ozal yesterday – up from 247 – fell short of the two-thirds majority required on the second round, but do appear to guarantee him victory in the third round on October 31, when a simple majority in the 450-seat legislature is enough.

Changes in EC's draft social charter unlikely to win over UK

By Lucy Kellaway in Brussels

A NEW draft of the European Community's social charter, prepared by the French presidency in the light of objections from member states, seems likely to encounter continued firm resistance from Britain at Monday's meeting of social affairs ministers.

The revised version does not apparently answer the fundamental British complaint that the charter puts up barriers which the UK has speut the past 10 years tearing down.

European employers, meanwhile, have reinforced their opposition to the charter, claiming yesterday that the Commission's latest version is legally confused, badly drafted, unrealistic and gives too much power to Brussels. They said it would impose an unacceptable cost on poorer members and prevent countries from enjoying the competitive benefits of a single market.

The complaints were made by Unice, the European employers' federation, and add to an increasing number of objections made recently by member states, trade unions and bureaucrats. Unice shares the concerns of Britain that the charter is too restrictive, and of Sir Leon Brittan, the UK's senior Commissioner, that it does not divide the responsibilities clearly enough between member states and the Community. Its position is directly opposed to that of the unions which want the charter to be more precise and legally binding.

Unice called on social ministers in amend the document on Monday so that Brussels would only have power over such issues as health and safety, mobility, education and equal opportunity. Employers are strongly against any discussions of pay and conditions being set at European level, arguing that this would impose unnecessary burdens ou the system, and particularly large costs for smaller companies and poorer regions.

Unice argues that the existing document is a mixture of "rights, principles, procedures standards and calls for action", and would like to see it watered down to become a simple of broad principles and beliefs, that would leave the setting of actual standards in member states.

OVERSEAS NEWS

Thousands murdered by government agents, says Amnesty

By Edward Mortimer

TENS OF thousands of people were deliberately and unlawfully killed during 1988 by government agents, mainly in the Third World, according to Amnesty International's annual report, published today.

Colombia, Guatemala, El Salvador, Syria and the Philippines are named as countries in which victims were often severely mutilated before being killed.

The Afghan and Soviet governments are charged with summarily killing civilians and captive guerrillas. In one incident, the report says, a mosque was demolished, killing nine out of 12 captured guerrillas held within. Similar mass executions were carried out by Ethiopian troops fighting guerrilla movements in Eritrea and Tigray.

In Burma people were executed on the spot when found outside their communities or in possession of quantities of food or other goods; and in Peru "massacres and summary executions largely replaced imprisonment and trial by the courts" in counter-insurgency zones under military control.

"Many people," Amnesty says, "became victims simply because they lived in an area where the population as a whole was seen as the enemy".

Examples given include the use of chemical weapons and summary executions against the Kurdish population in Iraq, and the bombing and strafing of thousands of refugees, followed by hundreds of executions, in northern Somalia.

Both Indian and Sri Lankan troops are accused of deliberately killing non-combatants in their effort to suppress armed opposition groups in Sri Lanka.

Not all such killings occurred in the immediate context of armed conflict. In Burundi, for instance, troops dominated by the Tutsi minority reportedly massacred thousands of people belonging to the Hutu majority, while in Guatemala teachers, community leaders, trade unionists, human rights workers and "peasant farmers active in community life" were added to a toll of tens of thousands of civilians killed for their political beliefs during the 1980s by the government's security services.

In many countries, including Turkey, El Salvador, Indonesia, Iraq, China, Syria and Burma, deaths occurred as a consequence of torture, or in some cases of deliberate neglect.

Amnesty admits that many executions by government forces occurred against a background of violence by "non-governmental entities", including "killing and maiming of civilians on a large scale" as well as torture and killing of captives.

"As an organization concerned particularly with prisoner-related human rights and dedicated to the abolition of torture and the death penalty," Amnesty also condemns this non-governmental violence.

But, the report says, it does not treat such groups "as though they had the status of governments in the sense of international human rights law". Nor does it address them, "unless they have the essential attributes fo a goverment, including the exercise of effective power over substantial territory and population".

The report says however that the "international community receives more and better information", and in the 1990s this "should make it more difficult for governments that aim to carry out killings which are murder by any other name".

Thatcher fires a parting shot as 'tea party' ends

By Robert Mauthner and Roger Matthews in Kuala Lumpur

COMMONWEALTH SUMMIT

THE week-long summit of Commonwealth nations, which was marked by a bitter dispute over South African sanctions, ended here yesterday with final salvoes fired by Mrs Margaret Thatcher, the British Prime Minister, and some of her critics.

Mrs Thatcher was undeterred by accusations that she had broken the rules of fair play by issuing a separate statement explaining why Britain had reserved its position on certain key sections of the Joint Declaration on South Africa. "If it is one against 48, I am very sorry for the 48," Mrs Thatcher said at a press conference. She also claimed that the Kuala Lumpur conference had been "a tea-party" compared with the 1985 Commonwealth summit at Nassau, where she was involved in her first great quarrel over sanctions.

Just before the conference ended another potential dispute over the venue of the next summit in 1991 threatened to raise the temperature again. A bitterly disappointed Mr Edward Fenech-Adami, the Maltese Prime Minister, was persuaded by African countries to withdraw his offer to hold the meeting in Malta in favour of Zimbabwe, one of the African frontline states.

The motive behind this move is clear. The fact that the Commonwealth conference will be held practically on its borders is intended to put additional psychological pressure on Pretoria. Moreover, the choice of Harare will ensure that the problem of South Africa – unlikely to have been solved by then in spite of any progress that might be made in the next two years – remains the top item on the Commonwealth's agenda. Aware of the criticisms that the Commonwealth has progressively become a one-issue organisation, several leaders went out of their way to stress that, in spite of the sharp exchanges over South Africa, this problem had by no means dominated the Kuala Lumpur meeting.

Mrs Thatcher underlined "the excellent declaration" on the environment, which emphasises the need for international action and funding mechanisms, while ensuring at the same time that environmental protection measures do not hamper the economic development of the poorer countries.

Others pointed to the strong support given by the Commonwealth leaders to international measures to counter drug abuse and trafficking and to the Commonwealth Scheme for Mutual Assistance in Criminal Matters. There was also substantive discussion on world economic problems. The need to examine more closely the relationship between industrial and developing countries was emphasised. Existing economic consultations among industrial countries, the G7 group, should be supplemented by appropriate consultations with developing countries.

Approval was also given to the setting up of a Commonwealth Equity Fund, the purpose of which is to facilitate the flow of private institutional investment to Commonwealth developing countries.

Australian Prime Minister, Mr Bob Hawke, does an impromptu dance with Sir Shridath Ramphal

Supporters of Aoun protest at peace plan

By Lara Marlowe and Andrew Gowers

THOUSANDS of supporters of Gen Michel Aoun, the Lebanese Christian leader, marched through mainly Christian East Beirut yesterday in a show of defiance against the Arab League reconciliation plan approved by Lebanese deputies in Saudi Arabia.

As 62 deputies were meeting in Jeddah to close their three weeks of meetings that approved political reforms, the demonstrators burnt tyres and chanted slogans denouncing the MPs in front of Gen Aoun's palace. The protest, although not entirely spontaneous, underlined the formidable dangers facing the deputies when they return to Lebanon.

A statement yesterday from Prince Saud al-Faisal, the Saudi Foreign Minister who has been spearheading Arab mediation efforts along with his Algerian and Moroccan counterparts, called on the MPs to hold a parliamentary session in Beirut on November 7 to ratify the reforms and elect a new President.

With east Beirut in turmoil, convening this meeting will be highly problematical. Ten days ago, Gen Aoun issued a thinly-veiled threat against deputies who were voting for an accord he sees as legitimising an indefinite Syrian military presence, saying that "the people will have no mercy on those who are negligent".

The extremist pro-Iranian Islamic Jihad group has also threatened to assassinate deputies who approved the agreement. There are ominous reports that Mr Ali Akbar Mohtashemi, the hardline former Iranian Interior Minister, is currently in the country.

Some deputies have evidently got the message. Western diplomats in Paris said yesterday that a number of Christian and Moslem Lebanese MPs had requested visas to visit France in the near future rather than returning to Beirut. One suggestion doing the rounds yesterday was that the parliamentary meeting might have to be convened in the Lebanese embassy in Paris.

Much will depend on the position adopted by other leaders of the Maronite Christian community in the next few days.

The Maronite Patriarch is currently visiting the Vatican and has made no public pronouncements, and Mr Samir Geagea, the leader of the "Lebanese Forces" militia, appears to be keeping his options open, although MPs of the allied Phalange party voted for the accord this week.

Britain wins backing over Hong Kong

By Roger Matthews

BRITAIN yesterday won the support of the Commonwealth for the people of Hong Kong, although in less ringing terms than had originally been proposed.

Ignoring accusations from Peking that Britain was attempting to internationalise the issue, the Commonwealth leaders welcomed the reaffirmation by Britain and China of their commitment to the full implementation of their Joint Declaration on Hong Kong, "the success of which was vital to the maintenance of international confidence in Hong Kong". In the original British draft, only China was mentioned in this context.

The leaders acknowledged the concerns of the people of Hong Kong and agreed "that those in a position to do so" would assist in any way possible in promoting the prosperity of the territory.

Britain, in its efforts to restore some confidence in Hong Kong after Peking's repression of demands for democracy, had wanted the Commonwealth to pledge itself to reassuring the Hong Kong people about their future. There was no mention of the suggestion made last week by Mr Lee Kuan Yew, the Prime Minister of Singapore, for Commonwealth and other countries to consider offering passports to the top 200,000 families of Hong Kong as a means of exerting influence on Peking.

The Commonwealth also recognised what it described as the "insuperable burden", which the Vietnamese boat people imposed on the region. With Britain preparing to announce its response soon to the swelling numbers of Vietnamese reaching Hong Kong, the Commonwealth said that as a matter of priority there should be a programme for the return of those who were not genuine refugees. Officials have warned privately that in the absence of a repatriation programme there is unlikely to be any significant diminution in the stream of refugees.

Dr Mahathir Mohamad, the Malaysian Prime Minister, gave his support to the concept of forced repatriation. He said the best of the refugees arriving in his country were creamed off by countries offering long-term resettlement, while Malaysia was left with the residue, "the bottom of the barrel", and he was not willing to accept them.

Leaders set global agenda for peace

COMMONWEALTH leaders approved a final communiqué yesterday which welcomed the reduction of East-West tensions but said that a host of economic problems still threatened the developing world, Reuter reports from Kuala Lumpur.

The wide-ranging communiqué called for global efforts to tackle international problems such as drugs, refugees, security of small states, terrorism and pockets of regional unrest.

A "Langkawi Declaration" on the environment and a Kuala Lumpur Statement on southern Africa, urging sanctions against Pretoria and help to ensure independence in Namibia, were released earlier.

The 29-page communiqué said closer East-West ties had improved the world political climate and reduced regional conflicts.

It expressed "deep concern at the dangerous tensions" in the Middle East, urged Israel to withdraw from the occupied territories, and said Palestinians had rights to a homeland.

The communiqué said Vietnam's troop withdrawal from Cambodia had not been verified by the United Nations and asked for more dialogue among the warring groups.

It welcomed the Soviet Union's troop withdrawal from Afghanistan and called for humanitarian assistance for Afghan refugees and an early start to talks on the formation of a broad-based government in Kabul.

The communiqué also called for a complete ban on nuclear testing.

It also said laws must be enacted to confiscate assets of convicted drug traffickers and to curb money-laundering by drug barons.

The communiqué said that world economic growth had been uneven, with developed countries being faced with adjustment difficulties and threatened by inflation.

There was a need to improve the transfer of resources to developing countries facing "severe contraction of financial flows" and help to countries which could not repay their debts.

Speedy troop withdrawal from Cyprus urged

COMMONWEALTH leaders yesterday adopted an unusually strong declaration on Cyprus, which called for the speedy withdrawal of "all foreign forces and settlers" from the island, reports Robert Mauthner from Kuala Lumpur. It also condemned the unilateral declaration of independence by the northern Turkish-Cypriot leadership in 1983.

The final communiqué, warmly welcomed by President George Vassiliou of Cyprus, supports his Government's position that the unity, territorial integrity and non-aligned status of Cyprus should be ensured. In this context it called on all states not to recognise the self-styled northern Turkish-Cypriot republic.

Apart from calling for the withdrawal of all foreign troops, a reference mainly to Turkish troops stationed in the north, the communiqué was also implicitly critical of Mr Rauf Denktash, the Turkish-Cypriot leader, for suggesting that Turkish refugees from Bulgaria might be invited to settle in northern Cyprus.

The leaders expressed their belief that "a sustained and substantive dialogue" within the framework of United Nations-sponsored communal talks was the only way of reaching a just and peaceful solution.

They called upon all parties to co-operate fully with the UN Secretary-General in his attempts to organise substantive talks between the two Cypriot parties.

South Korean students jailed

By Maggie Ford in Seoul

THIRTY-SIX South Korean university students were sentenced to long prison terms in Pusan yesterday, after being found guilty of accidentally killing seven riot squad members. More than 70 students demonstrated outside the court. The students, who will appeal, claim police evidence was untrue.

The deaths of the police in a fire at Dongui University in May created a political furore, provoking calls for a crackdown against student demonstrations. The fire broke out after police stormed the library where students were holding several policemen hostage.

The court decided yesterday that none of the students should be convicted of murder, because they did not kill the policemen deliberately. Murder convictions carry the death sentence. One student received a life sentence, two received 15 years, and one 13 years. A total of 71 were sentenced, 35 to suspended prison terms.

Families of the students and the dead riot police demonstrated outside the court. The students' families appealed to the National Assembly to investigate the incident.

● Nine students from Seoul universities are under arrest following the death of a student last week. The students are alleged to have beaten the youth because they thought he was a police spy. After the beating he died of shock.

● South Korea is holding its first round of political talks with the European Community this week in a relationship showing new signs of growth.

Brussels is to open an office in Seoul later this year following a rise in trade and foreign investment. The political talks will take place in Paris and concentrate on co-operation, especially in relation to the unified market in 1992.

Mr Lee Joung Bin, Assistant Foreign Minister, who is leading the delegation, will explain South Korea's policy of establishing relations with communist nations and its view on the strategic situation in North East Asia.

The two sides will also discuss the moves towards Pacific economic co-operation spearheaded by Australia. A Foreign Ministry spokesman said the effort to start political talks was partly in response to the EC's broader diplomatic role in advance of 1992. South Korea already has strong bilateral relations with most European countries.

Israel shifts stance on Palestinian talks

By Lionel Barber in Washington

ISRAEL has informed the Bush Administration that it accepts a US proposal for Palestinian negotiations, with two reservations, the Israeli embassy in Washington said yesterday.

One caveat is that Mr James Baker, US Secretary of State, offer assurances that the talks will not include the Palestine Liberation Organisation (PLO). The other is that the agenda for a future Israeli meeting with Palestinians would be restricted to arrangements for Israel's proposed elections in the occupied territories of the West Bank and Gaza.

The Israeli move, following sustained cajoling by the US State Department, amounts to an incremental shift in position which could help to break the stalemate in the Middle East peace talks. Mr Yitzhak Shamir, the Israeli Prime Minister, is due to visit Washington in the middle of next month.

For the past few weeks, Israel has rebuffed efforts by the US and Egypt to arrange talks with Palestinians on the Israeli Government's plan for elections in the occupied territories. This brought a warning last Friday from a senior US official that Mr Baker was not going to pursue his initiative "from here to eternity".

On Monday night, Mr Moshe Arens, the Israeli Foreign Minister, sent a letter to Mr Baker outlining his Government's position.

Mr Arens informed Mr Baker in his letter that Israel "basically accepted" his five-point proposal, the Israeli embassy in Washington said.

Mr Baker's five-points include an assurance that Israel would be "satisfied" with the composition of the Palestinian delegation and it gave President Hosni Mubarak of Egypt the role of consulting with the PLO.

The next step in the diplomatic round – which has grown ever more intensive in the run-up to Mr Shamir's visit – is to reach agreement on the Palestinian delegation.

Among the sticking points is whether Israel should have veto power over Palestinian delegates and how to treat Palestinians who are deportees from the occupied territories but not PLO officials.

Another important difficulty is resolving Israel's demands for a restricted meeting and Egypt's inclination to see the election talks as a springboard for a broader agenda.

A US official, describing Mr Baker's reaction, said: "He is not optimistic or pessimistic. He is realistic."

● Israel has complained to Britain over the actions of Mr Ivan Callan, the British Consul-General in Jerusalem, who earlier this month broke a military curfew when he entered a town in the occupied West Bank, Hugh Carnegy reports from Jerusalem.

Mr Callan had publicly expressed concern over Israeli actions in Beit Sahour which has been virtually sealed off for several weeks and where goods have been confiscated in a bid to break a tax boycott by Palestinian residents.

He was among a group of diplomats prevented from entering the town by the Israeli army on October 6, but returned on his own several days later.

Top Soviet official plans visit to Tokyo

By Ian Rodger in Tokyo

MR Alexander Yakovlev, said to be the second most powerful figure in the Kremlin, will lead a delegation of Soviet parliamentarians to Japan early next month. His visit is taken as a sign of intensifying contacts between the two countries.

"We hope the mission will establish the basis for a bilateral relationship of permanent peace," Mr Nikolai Soloviev, the Soviet ambassador to Japan said yesterday in Tokyo.

Japan and the Soviet Union have still not signed a Second World War peace treaty because they have been unable to settle a dispute over four islands in the southern Kurile chain claimed by Japan but occupied by the Soviet Union in the last days of the war.

Efforts to resolve the dispute have intensified since Mr Mikhail Gorbachev began implementing his perestroika policy. The Soviet side is eager to gain access to Japanese technology to help its reform efforts and Japanese businessmen worry that they are being beaten to business opportunities in the Soviet Union by European and US companies.

Committees were set up to study the territorial issue during a visit to Tokyo by Mr Eduard Shevardnadze, the Soviet Foreign Minister, last December, and the work continued when Mr Sousuke Uno, then the Japanese Foreign Minister, visited Moscow in May.

● Mr Toshiki Kaifu, the Japanese Prime Minister, startled political observers in Tokyo yesterday by saying he was planning a trip to West and East European countries in January.

It had been widely thought that Mr Kaifu was planning a general election in January or early February.

An election must be held before next July, and many leaders of the ruling Liberal Democratic Party (LDP) would like it to happen as early as December in the hope that it will purify their scandal damaged images.

Mr Kaifu seemed to pour cold water on these hopes, claiming that he was not thinking of an election at all.

Japan dreams of an end to nightmare land prices

Ian Rodger reports on efforts to control speculation and introduce tax reforms to property sector

THE Japanese Government appears finally to be making serious efforts to bring down the country's extraordinarily high land prices.

Last week, the governor of the Bank of Japan, Mr Satoshi Sumita, speaking at the annual conference of the country's 64 regional banks, told the bankers bluntly to stop making loans for speculative land deals.

A recent study by the Government's Economic Planning Agency recommended that farming land in urban areas be taxed like ordinary residential land. It said that if such a change had been made in 1976, land prices in the Tokyo suburbs would be about 28 per cent lower than they are today.

The new focus on high land prices, which first became a big political issue nearly three years ago, has been caused partly by the sudden rise of consumerism as a force in Japanese politics and a growing awareness of what the Prime Minister, Mr Toshiki Kaifu, recently called "the widening disparity between the haves and the have-nots" in Japan depending on land ownership.

Japan's high land prices have also become an international issue, with the US and other foreign governments complaining that they constitute a significant structural barrier to consumption and to the progress of foreign businesses in the country. It is one of the items the US has raised for discussion in the bilateral Structural Impediments Initiative (SII) that got underway last month.

There is no doubt that Japan's land prices are wildly out of line with those anywhere else in the industrialised world. According to the latest survey in July by the National Land Agency, the average price of land in Tokyo is Y485,200 (£2,152) per square metre. Tokyo land prices led the surge two years ago, and this year prices in other cities have been catching up. In Osaka, residential land prices have risen 27 per cent in the past year to an average Y354,196 per square metre.

'Banks have been singled out before for their eagerness to lend money to speculators'

International comparisons are difficult, hnt according to a recent Nomura Research Institute study, the average cost of residential land in the whole of Japan in 1985 was Y69,000 per square metre, compared with Y3,000 in the US and Y4,600 in the UK at roughly the same time. Since then, the disparities have widened significantly. The causes of Japan's high land prices are well understood.

The main one is that the tax system encourages hoarding and prevents a normal supply of land coming on to the market. Property taxes are low for all land holders because local governments have been perennially shy about raising assessments. Moreover, farmers, even in urban areas, are granted huge reductions on property taxes as well as exemption from inheritance taxes if their land is passed on to children.

For example, a family with a 1,630-square-metre "farm" in central Tokyo, worth some Y790bn, paid only Y22,300 in property taxes last year. Even if the home had been classified as an ordinary residence, the owner would have paid only Y1.65m in property taxes, which is equivalent to 0.002 per cent of the real land value.

Thus, there is no pressure on low-income land owners to sell land which they could not afford if taxes were at realistic rates. On the contrary, there is every incentive to hold onto the land because experience suggests that it will continue to increase in value.

That mentality has fed on itself to an extraordinary degree in the past four years since the country began generating huge amounts of surplus funds. Banks, institutional investors, industrial companies and ordinary speculators have all piled into the property market with large portions of their surplus funds, driving land prices up at often dizzying speed.

Banks have been singled out before by the authorities for contributing to the boom through their eagerness to lend money for property speculation, and the central bank has imposed limits on the proportion of their assets than be used for property lending. Still, the growth of the banks' overall assets has been such that this control has been inadequate. The value of all banks' outstanding real estate loans rose 14 per cent to Y38,757bn in the 12 months to last July. Also, the Bank of Japan's main concern about this growth in the past has been its effect on inflation rates.

'Given the power of farmers and property owners tax reform will be difficult to achieve'

This week's demand by Mr Sumita was stronger and suggested a wider concern. "Banks must never carry out financial activities that may cause land price hikes, thus giving rise to inflation sentiment and destabilising the public's day to day life," he said in his speech to the regional bankers.

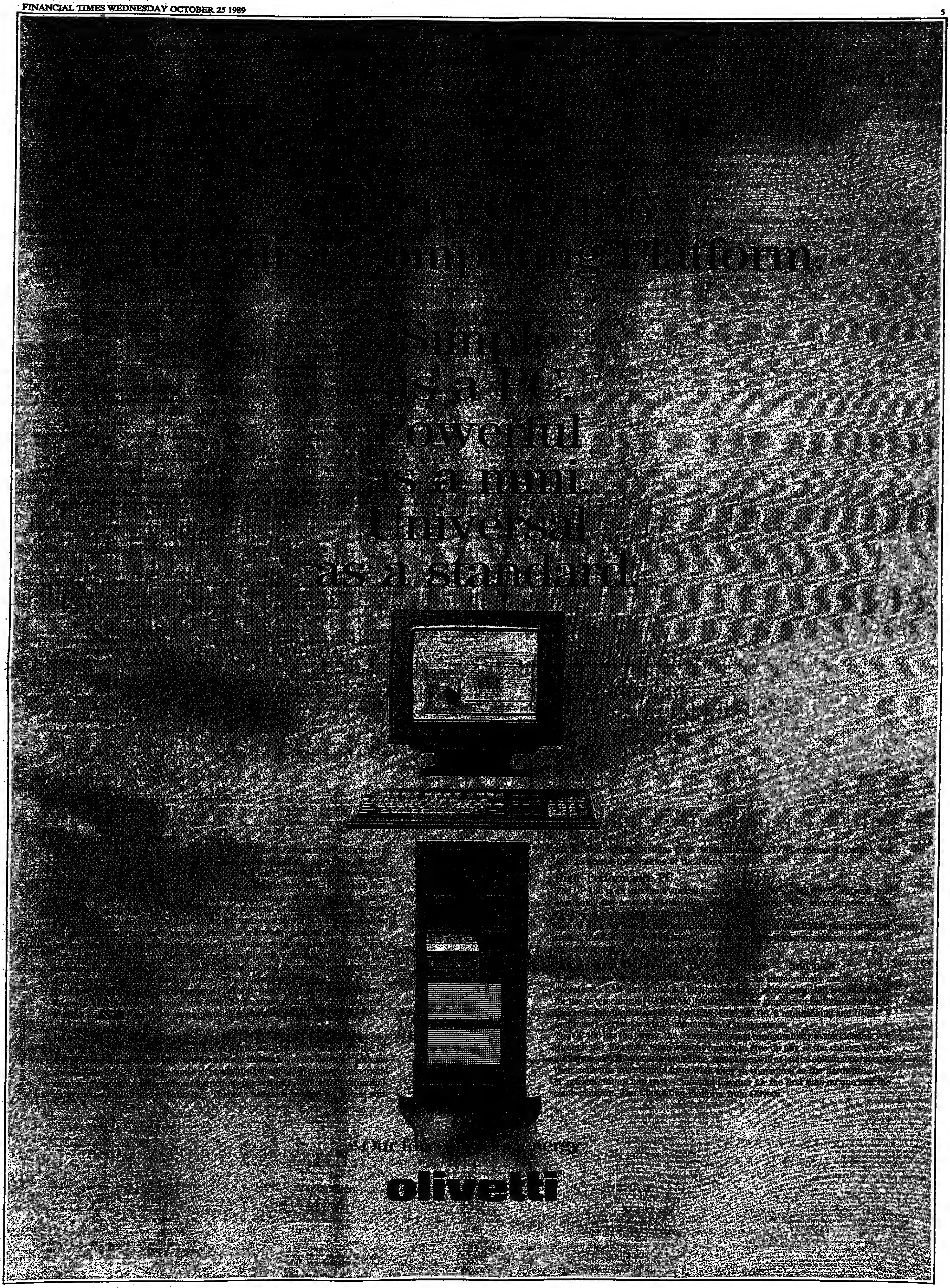
However, even if the banks were to stop lending for property deals altogether, no one believes this would do much to bring prices down. Decentralisation of government and business activity from Tokyo would help, but tax reform offers the greatest potential for relief. Given the political power not only of farmers but also of property owners, tax relief will be very difficult to achieve.

"There is a certain amount of studying going on at the moment, but I think we are looking at a long gestation period at the end of which they may give birth to a mouse," a Western diplomat in Tokyo said.

Mr Takayoshi Miyagawa, president of the Center for Political Public Relations, was more optimistic. "The pressure from the farm lobby will remain strong, but pressure from other voters will become stronger," he said.

He pointed out that the land issue would probably figure in the elections for 44 prefectural assemblies due in early 1991, after which a consensus could form to eliminate the preferential treatment for farmers.

Even if he is right, it is clear that nothing is likely to emerge in time to contribute to the results of the SII talks or to the dreams of many Japanese of buying a house.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AMERICAN NEWS

US civilian capital goods orders drop in September

By Anthony Harris in Washington

US DURABLE goods orders were virtually unchanged at \$126.7bn in September, up by \$0.1bn, according to the advance report from the Department of Commerce; but this level total concealed large erratic swings in defence and civilian aircraft orders.

Defence capital goods orders rose by \$4.4bn (more than 56 per cent) in the month, while a sharp fall in airline orders was the main factor in a \$2.1bn (5.6 per cent) fall in orders for civilian capital goods. Some large new airline orders have been announced this month.

Without the defence component, overall orders would have fallen 3.9 per cent. Without the transport sector, orders would have risen 1.8 per cent.

Transport order trends have also been heavily influenced by developments in the car market, where orders appear to have stabilised after heavy falls earlier in the year, required to reduce excessive inventories.

Orders for primary metals, which are heavily influenced by the motor industry, rose by 1.9 per cent, after previous sharp falls.

This market may now have stabilised, after large inventories accumulated during a period of tight supply earlier in the year have been reduced to normal.

Order books, which fell marginally in August for the first time since 1986, rose by 0.4 per cent, thanks to the defence orders. Exclnding aircraft, orders books have been edging down since the beginning of the year.

The detailed figures also show a sharp recovery in orders for electrical machinery, up 6.3 per cent; but orders for other equipment remain depressed by weak computer orders.

This recession produced a sharp fall in IBM earnings earlier in the month, and on Monday Prime Computer, which is heavily dependent on official buying, announced a restructuring which will reduce employment in the company by 20 per cent.

Federal Reserve resists demands to let the sunshine in

Peter Riddell reports on congressional calls for more open decision-making at the US central bank

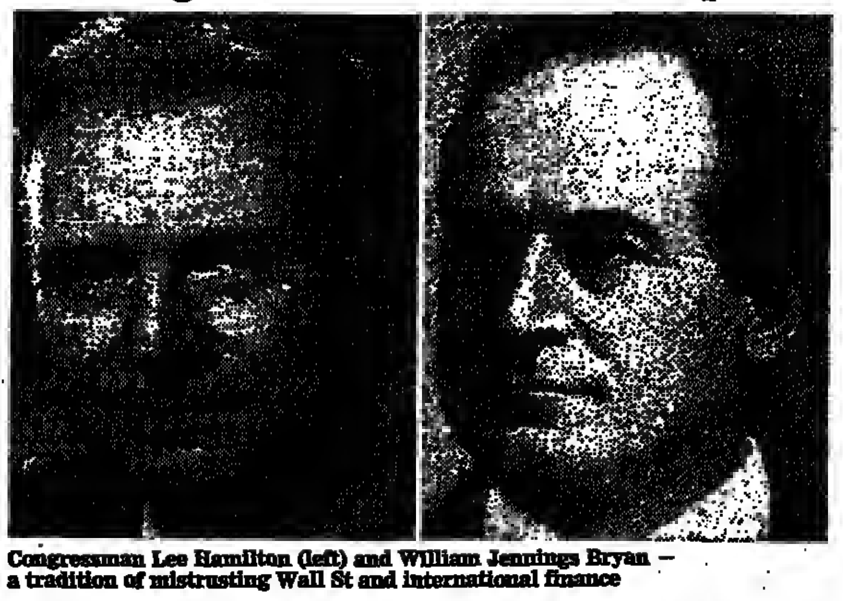
MR ALAN Greenspan, chairman of the Federal Reserve, will later today have to deal with two contrasting congressional demands – one to limit the Fed's autonomy by making it more open and accountable, and another to strengthen its hand by requiring the elimination of inflation within five years.

Neither proposal is likely to make much headway, but the debate they have provoked has highlighted the curious position of the Fed within the US constitution. In a society which prides itself on its openness and democratic approach, the Fed is an anomaly.

In its own words the Fed is "independent within government." Its governors, appointed for 14 years, have the key power of setting interest rates and directing monetary policy. The chairman, who has a four-year renewable term, is required to report to Congress twice a year but is not bound by what either the executive or the legislature says. The decisions of its policymaking open market committee (FOMC) are published only after six weeks, though some discussions between meetings emerge quicker.

The Fed has only existed for just over 75 years and in its present form since the mid-1930s, in the aftermath of the depression.

There have been two main strands of criticism. First, there has been ingrained rural and small town populism – the heirs of presidential nominee William Jennings Bryan's "Cross of Gold" crusade of 1896. This sees the Fed as an ally of Wall Street and international finance and an enemy of Main Street and of farmers. Significantly, Congressmen Lee Hamilton and Byron Dorgan, the Democratic sponsors of the legislation limiting the independence of the Fed, come from Indiana and North Dakota respectively.



Congressman Lee Hamilton (left) and William Jennings Bryan – a tradition of mistrusting Wall St and international finance

More recently, there have been the conservative supply-siders who see the Fed as the enemy of their drive for a revival of enterprise through sustained economic growth. Within the administration, this view is championed by Mr Jack Kemp, the Housing Secretary, who is the nearest thing in Washington to Sir Alan Walters, Mrs Margaret Thatcher's economic adviser, in offering e semi-independent economic policy. He has called for more sunlight on the Fed's operations and a greater input from the democratically elected executive branch.

Both groups, which overlap, are suspicious of the Fed for putting too great a priority on fighting inflation through high interest rates, benefiting bankers and damaging the interests of productive business.

The Hamilton/Dorgan bill originally proposed that the Treasury Secretary should become a voting member of the policy-making FOMC, broadly returning to the position before the mid-1930s. However, this has been opposed by not only the Fed and the Treasury (despite Mr Kemp's enthusiasm), but also leaders of the Senate Banking Committee, whose support is vital to the success of any legislation. Mr Nicholas Brady, the Treasury Secretary, has said he does not want to sit on the committee and compromise the Fed's independence.

Consequently, the Congressmen last week modified their plan. They made the vaguer suggestion that the Treasury Secretary, the chairman of the president's council of economic advisers and the Budget director should meet the FOMC to give their views at least twice a year, before meetings to set monetary targets in February and July. But they would not have a vote. The purpose would be to improve communications and co-ordination, though in practice Mr Greenspan meets frequently with administration officials.

Nevertheless, the Hamilton/Dorgan bill still contains provisions unacceptable to the Fed, notably a requirement in monetary targets public immediately, because this would be counter-productive and destabilise markets. The bill would also permit fuller and more public audits, and allow closer congressional oversight of its budget.

Mr Greenspan will find less trouble endorsing the rival proposal from Congressman Stephen Neal, the Democratic chairman of the House sub-committee to whom he will testify. This requires the Fed over the next five years to eliminate inflation, currently in the 4.5 to 5 per cent range. For the Fed this would provide e welcome reinforcement of its existing aims, without affecting its day-to-day policies.

Mr Neal's proposal is merely an aspiration with no penalties for non-fulfilment. Indeed, after discussions with the Fed, Mr Neal watered down an earlier version requiring the reduction of inflation by 1 percentage point a year until it reached zero.

The hearings are likely to provide an opportunity for Congressmen to criticise the Fed for being too cautious about reducing interest rates. But otherwise there is little apparent weight behind the calls for radical reform.

In practice, it suits both Congress and the administration for the present anomalous position of the Fed to continue – for it to take the responsibility, and blame, for difficult monetary decisions and high interest rates.

Left-winger gains in Brazilian opinion poll

By Ivo Dawnay in Rio de Janeiro

A SHARP improvement in the fortunes of the most left-wing candidate in Brazil's forthcoming presidential elections sent a shiver through the country's business community yesterday.

As the poll showed Mr Luis Inacio Lula da Silva of the radical Workers' Party (PT) rising to second place, the black dollar took off in parallel – increasing by midday to NCz11.10 from a Monday close of NCz10.80.

With just three weeks to go before the first round in the two-phase elections, Lula, as he is universally known, has become the prime target of both left and right-wing rivals.

Last week, Mr Mario Amato, president of the powerful Federation of Sao Paulo Industries (Fiesp) warned that "800,000 businessmen" would abandon the country if the militant former trade union leader was elected.

Lula has also been the target of increasingly angry attacks from Mr Leonel Brizola, the veteran socialist and former governor of Rio de Janeiro state – usually the main bogey figure for the right.

Despite the anxiety, Lula, with 15 per cent of voters' preferences according to the latest Ibope poll, remains well behind Mr Fernando Collor de Mello – stable at about 31 per cent.

However, he has for the first time overtaken Mr Brizola at 14 per cent and is said to be gaining ground uniformly across the country.

The PT frequently makes rapid progress towards the end of campaigns. In municipal polls last year, for example, it came from nowhere to capture e number of key cities including, to the party's own amazement, the vast conurbation of Sao Paulo. Mr Brizola, Lula's only serious rival on the left, is polling only 2 per cent in Sao Paulo state, which accounts for nearly 20 per cent of the total 82m electors.

Only the two frontrunners in voting on November 15 will go through to the decisive second round on December 17. Should those be Mr Collor and the PT candidate, the election will polarise sharply.

Treasury explores reduction of bias against corporate equity

By Peter Riddell, US Editor in Washington

The US Treasury is examining ways of reducing the existing tax bias against corporate equity, as part of the integration of corporate and individual tax systems.

Mr John Wilkins, senior adviser in the Treasury's Office of Tax Policy, told a Congressional committee yesterday that his department believed the best approach to leveraged buyouts and related transactions was to focus on the overtaxation of corporate equity.

Possible methods of reducing the tax bias might, he said, include "a dividends paid deduction for corporations and a dividends received exclusion or credit for shareholders."

The Treasury continues to believe that the tax code should not be used to draw distinctions between good or bad debt or corporate transactions. "The markets are the appropriate judges of a corporation's capital structure or of a transaction."

Mr Wilkins underlined the Treasury view that limitations on the deductability of interest would increase the cost of capital, hindering the ability of US businesses to compete in the glocal economy and adversely affect the domestic economy.

He was testifying on a bill which would attempt to prevent hostile takeovers and leveraged buyouts of airlines by denying interest deductions on high-yield debt incurred in such transactions.

The Treasury opposes special income tax rules for airlines or for any other specific industry. The Treasury belives that limits on the deductability of interest could have uneven effects between sectors and severely affect highly leveraged industries such as airlines.

The deficit reduction bill, currently being considered by a Senate/House conference committee, contains provisions to reduce the threshold on the use of certain carryovers of net operating losses and net unrealised built-in gains or losses.

Mr Wilkins said this could have a deterrent affect on future airline leveraged buyouts since some airlines may have large built-in gains or losses that could go unused under the proposed lower threshold.

Earthquake aid package backed

A \$2.85bn emergency aid package for the San Francisco earthquake has been approved by a key House of Representatives committee as a compromise between the demands of California Congressmen and Administration proposals, Peter Riddell reports from Washington.

The package, also providing more help to the victims of last month's Hurricane Hugo, was due to be considered by the full House late yesterday, as part of a bill to keep the Federal Government going for another three weeks, in the absence of an agreed Budget.

The White House, which proposed a \$2bn-\$2.5bn package, is seeking a compromise with Congress since it does not want to appear ungenerous. The Californian Congressional delegation wanted \$3.8bn, but this was rejected by the House Appropriations Committee by 26 votes to 7.

Justice Department curbs use of racketeering law

By Janet Bush in New York

THE US Justice Department has issued guidelines limiting the use by Federal prosecutors in white-collar crime cases of the racketeering law used in the indictment of Mr Michael Milken, former head of Drexel Burnham Lambert's junk bond operation, on charges of securities law violations.

The move follows rising criticism in the securities industry, the legal profession and from civil liberties groups about increasing government use of the Racketeering Influenced and Corrupt Organisations Act, known as Rico.

The revised rules limit the kind of crimes which can be used as a basis for a racketeering indictment and the amount of money that the government can seize before a trial.

Rico, passed in 1970, was originally designed to combat organised crime and was used successfully against the Mafia.

However, largely as part of a campaign in New York against insider trading led by Mr Rndolph Guiliani, former US attorney for the Southern District of Manhattan and now the Republican candidate for mayor, Rico became a major weapon against white-collar crime.

Under the law, it is not only an individual defendant who can be found guilty of racketeering if he is proved to have engaged in a pattern of criminal activity but also the company to which he belongs – which is then regarded as a corrupt organisation.

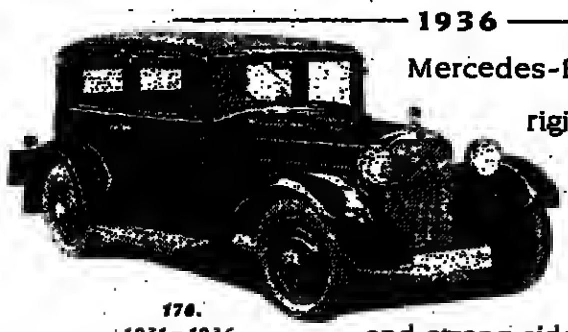
It has been widespread practice for the government to force a defendant or an enterprise to forfeit assets even before a trial.

1931

Independent front suspension developed to allow each wheel to follow road surface contours unhindered by the movements of the other front wheel for greater stability, comfort and improved steering control.

It is subsequently adopted, almost universally, by other manufacturers.

1936



170.
1931-1936

Mercedes-Benz develop the rigid-frame floor pan, three - section collapsible safety steering column and strong side-impact protection.

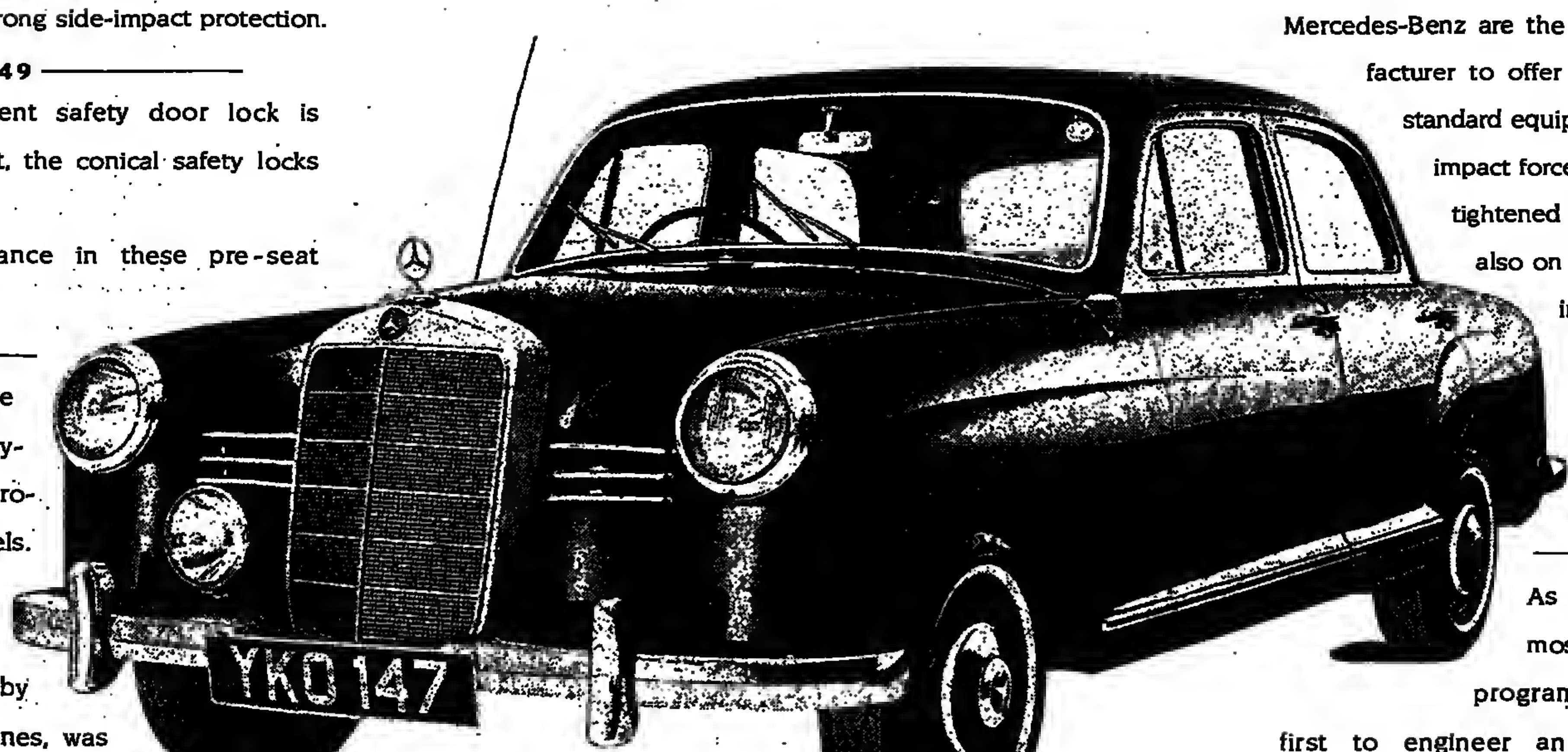
1949

The Mercedes-Benz patent safety door lock is introduced. In an accident, the conical safety locks cannot burst open or jam.

An important advance in these pre-seat belt days.

1951

Mercedes-Benz develop the world's first safety body-shell. Later to go into production in the 180 models. The now standard practice of placing passengers in a rigid cell protected by front and rear crumple zones, was patented by Mercedes-Benz. Other manufacturers have been allowed to infringe this patent in the interests of universal road safety.



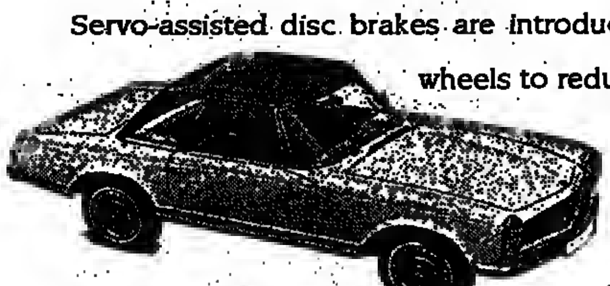
180.
1951-1954
The first car in the world with a passenger safety cell.

1959

First systematic crash and roll-over test programme. In one year 80 cars are destroyed so that safety problems can be more thoroughly investigated.

Mercedes-Benz introduce the first production cars to be equipped with padded interior surfaces and flexible components for additional safety: large, padded steering wheel boss; a padded, yielding dashboard; flexible control switches and levers; padded sun visors, window sills and arm rests; flexible window handles; recessed door handles; rear-view mirror that detaches on impact.

1961



230SL.
1963-1967

Servo-assisted disc brakes are introduced on all four wheels to reduce driver effort in everyday as well as emergency braking.

1967

Mercedes-Benz safety steering assembly. It yields progressively on impact to reduce the possibility of driver injury. The main advantages are: a large padded steering wheel boss, impact absorber, collapsible telescopic steering column and a steering box sited well behind the front suspension.

1968

Front head-restraints are introduced to lessen the risk of 'whip-lash' neck injuries.

1970

Announcement of the anti-lock braking system (ABS) which prevents the wheels locking under emergency braking. The vehicle does not break away and can still be steered around obstacles. (The principle is now accepted as the greatest advance in braking since the invention of disc brakes.)

280SE-3.5.
1969-1971

1973

Front seatbelts and head restraints become standard equipment on all Mercedes-Benz cars.

1979

ABS is introduced on production models. Seatbelts are made standard fitting on all four seats (in advance of U.K. legislation).

1981

Mercedes-Benz are the first and still the only manufacturer to offer automatic belt-tensioners as standard equipment (above a pre-determined impact force, the seat-belt is electronically tightened in milliseconds). The airbag is also on offer for the first time (stowed in the steering wheel boss, it inflates in 25 milliseconds on serious impact, to cushion the driver's head and chest).

1983

As a result of the industry's most exhaustive crash testing programme, Mercedes-Benz are first to engineer an improved impact energy dispersal system. As well as coping with the 100% frontal impact, demanded by legislation, the new Mercedes-Benz design directs impact energy away from the car's occupants in the event of off-set frontal collisions.

Mercedes-Benz develop brake and clutch pedals that swing away from the driver's feet in the event of a major accident.

1987

ASD (automatic locking differential) is introduced. Under conditions where traction varies between the right and left driven wheels, causing one to spin uselessly, the ASD system automatically transfers power to the wheel with better traction. The device is designed to operate at speeds up to approximately 19 mph, to aid initial acceleration and manoeuvrability in difficult conditions. However, the ASD warning light alerts the driver to poor traction conditions regardless of vehicle speed.

1988

300TE 4-MATIC. 1988

ASR and 4-Matic are introduced. Developing from the technology of ABS and ASD, these systems give the driver additional support in hazardous road conditions. ASR (acceleration skid control) electronically monitors wheel speed and automatically applies the brake and adjusts the throttle opening so the driving wheels cannot lose their grip under hard acceleration. 4-Matic (automatically engaging four-wheel drive) electronically monitors wheel slip and steering angle, progressively bringing in front wheel drive, a locking front to rear differential and finally, a rear differential lock as conditions dictate.

Over the years ~~no one~~ has done more for safety than Mercedes-Benz

ENGINEERED LIKE NO OTHER CAR IN THE WORLD.

WORLD TRADE NEWS

Fujitsu extends telecom interests

By Louise Kehoe in San Francisco

IN A move towards the "globalisation" of its telecommunications business, Fujitsu, one of the largest Japanese electronics manufacturers, will establish research and development as well as manufacturing facilities in the United States and Europe.

Today the Japanese company is scheduled to hold groundbreaking ceremonies et the Richardson, Texas site of its new North Americal Telecommunications Centre, which will house its first telecommunications research facility outside Japan.

By the end of 1992, the $80 million manufacturing and research complex is expected to employ about 1,200 people. Eventually, the company says that as many as 4,500 people are expected to be employed, more than doubling the current number of Fujitsu America employees.

Fujitsu also aims to establish a similar operation in Europe, said Mr Jinjiro Dodo, president of Fujitsu America's telecommunications group.

Although plans for the European telecommunications facility ere "in the embryonic stage," according to a company spokesperson, the establishment of the Texas facilities represents e "blueprint for the way Fujitsn intends to address the global telecommunications market," she added.

Fujitsu is understood to be considering several possible sites in Europe, including the United Kingdom.

Fujitsu's new complex in Texas will establish the company as a major US manufacturer of telecommunications equipment.

Currently, more than half of the telecommunications products sold by Fujitsu in the US are assembled in Richardson.

Once full scale manufacturing gets underway at the site, the company plans to increase its local content of components to approximately 70 per cent, officials said.

Oil imports put strain on Finnish trade with Moscow

By Enrique Tessieri in Helsinki

NEW environmental legislation in effect by 1991 has put fresh strains on Finnish-Soviet trade, forcing Neste, the Finnish state-owned oil company, to seek low-sulphur oil from the Soviet Union. President Mikhail Gorbachev is due in Helsinki today for a three-day visit when he will sign, among other accords, a new five-year (1991-95) Finnish-Soviet trade pact.

From 1991, new Finnish legislation will forbid heavy fuel oil (HFO) with over 1 per cent sulphur to be used in four Finnish provinces. The sulphur content of crude refined into HFO by Neste is around 2.7 per cent. Soviet crude imported to Finland has roughly 1 per cent sulphur content.

Mr Jaakko Ihamuotila, Neste's chief executive, has given his views on which course Finnish-Soviet trade should take. This has fallen one-third to about 14 per cent of all Finnish trade. Mr Jermu Laine, Customs Board director-general, says the next five-year trade pact should be the last.

Mr Ihamuotila said: "Only (Soviet) energy products could be left in the clearing-house scheme and all other products traded on a hard-currency basis". This clearing-house scheme would not undergo any radical changes if such a step were taken, "since 80 per cent of all Soviet imports (to Finland) come in the form of energy".

"We don't actually know what Mr Ihamuotila is trying to get across," said Mr Pertti Laine, a Finnish forest industry official. "Possibly he wants Neste to continue having a privileged role over oil imports to Finland."

Osuuskunta Tuontiöljy (OT), a company owned by some Finnish timber firms, applied earlier this year to import 20,000 tonnes of HFO. OT tried unsuccessfully to break Neste's oil import monopoly in 1981. Neste believes it will reach an agreement with the Soviet oil company Soyuznefteexport on securing part of its future Soviet oil imports in low-sulphur crude by 1991.

Japan machine imports 'must grow'

By Ian Rodger in Tokyo

JAPAN will soon be unsuitable for manufacturing, according to Mr Hiroshi Hamada, president of Ricoh, the leading producer of copying and facsimile machines.

In an FT interview in his Tokyo office, Mr Hamada predicted Ricoh would soon have to import machines to Japan from its US factory to satisfy the fast-growing Japanese market.

At a time when many analysts fear that Japan's output of manufactured goods will continue to grow at a high rate, his views come as something of a shock.

Mr Hamada cited the decline in population and the growing interest of Japanese people, hitherto considered workaholics, in taking time off.

"Japan's gross national product is growing at the rate of 4-5 per cent annually, whereas the number of newly-born children is decreasing. In another five years, we will not have sufficient labour in Japan, so we in Ricoh will be very grateful that we have a production facility in California to manufacture office equipment to export to Japan".

The supply of labour is already very tight in Japan. The unemployment rate is 2.3 per cent and there are more job vacancies than people to fill them, according to government statistics.

"Working hours are decreasing and we have more and more leisure time available. No doubt Japan is becoming a nation no longer suitable for manufacturing."

Mr Hamada argued that even though the yen had weakened against the dollar in recent months, this would not dissuade Japanese manufacturers from moving more and more production overseas.

"Unless they increase the ratio of overseas production, it will not be possible for them to grow on a global basis," he predicted. "My opinion may be rather pessimistic, but when I look at the longer perspective, I think that is the flow. That is why we are pursuing the policy of producing the right product in the most suitable place."

Ricoh set up its first factory in California in 1973 and has since opened plants in Britain, Taiwan, France and South Korea. Despite the problems facing Japanese office equipment manufacturers, Mr Hamada believes they will maintain their world leadership for at least the next 10 years.

In the past year, the company has been at the centre of a row with the European Commission over copiers it exports from the California plant to EC countries. According to the EC, the copiers did not have enough US content to qualify as US- made, and so should be subject to anti-dumping duties imposed previously on its Japan-made copiers.

The EC introduced a regulation last July to give force to its view, but meanwhile, Ricoh has raised the local content ratio at its California plant, and so prosecution seems unlikely.

'Mr Hamada cited the growing interest of Japanese people, hitherto considered workaholics, in taking time off...'

Mr Hamada was highly critical of the whole process, and looked forward to the establishment of international rules on country of origin for goods in the Uruguay Round of multilateral negotiations under the General Agreement on Tariffs and Trade (Gatt).

He said Ricoh had not been trying to circumvent local content requirements or minimise the amount of local content in its overseas factories.

"If we exported all the components from Japan, then assembled them overseas, that would be meaningless. It would be much better to produce the whole thing in Japan. But in order to promote local production, you have to go through a certain number of steps.

"For instance, when we started to manufacture our first product in the UK, we needed about 400-500 parts. If we had been required to satisfy the 40 per cent local content from the beginning, we would never have been able to start.

"Obviously, it was necessary to bring parts from Japan. Then we displayed them in the lobby of the plant so that local manufacturers and suppliers could look at them, then produce them. This is the kind of process we always go through."

Ricoh is one of many Japanese manufacturing companies whose sales and profits have recovered substantially since the revaluation of the yen against the dollar four years ago. But Mr Hamada was not impressed.

Reflecting a new view among Japanese corporate managers, he was more concerned with profits than sales. "Although sales are growing, earnings have still not recovered to the level of about 10 years ago. In fact, the net profit margin has decreased to about half what it was then."

Ricoh had net income of Y17.8bn (£79m) on sales of Y729.4bn in the year to March 31, 1989.

Saab wins $310m of US sales

By John Burton in Stockholm

THE SAAB aircraft division of Sweden's Saab-Scania group yesterday received a SKr2bn ($310m) order for 35 commuter aircraft from Express Airlines in the US. The deal includes 15 firm orders and 10 options for the 35-seat Saab 340B airliner and 10 firm orders for the new Saab 2000 50-seat turbo prop airliner.

Express Airlines, a regional carrier in the south-east US which already operates 13 Saab 340As in its fleet, becomes the first US customer for the Saab 2000, which has now received 124 firm orders and options since the project was announced in May.

The orders could also represent the break even point, which analysts estimate at 275, for the Saab 340 project. So far, 276 have been sold.

Deliveries of the Saab 340B to Express Airlines will take place between 1991 and 1993 and deliveries of the Saab 2000 between 1993 and 1996.

On Monday, Saab announced that it had already signed a SKr700m ($109m) order with the Swedish regional airline Salenia Aviation AB for 10 turboprop commuter airliners.

Saab said Salenia placed two firm orders for the Saab 340B aircraft and three for the Saab 2000, a stretched 50-seat version of the Saab 340 launched in December 1988.

Turkish power station deal

By Jim Bodgener in Ankara

A JAPANESE-led consortium came a step closer yesterday to e $900m contract for Turkey's first major "build-operate-transfer" (BOT) thermal power station at Aliaganear Izmir with a decree making its site a free-trade zone.

A contract can now finally be expected for the project by the end of the year, according to Ankara diplomatic sources.

The decree confirms the EPDC proposal's lead over its nearest rival, e similar power plant proposed by Europe's Asea Brown Boveri (ABB) for Ambarli near Izmir.

The EPDC group has initialled all of the subsidiary agreements to the main BOT contract for the 1,000-MW plant – now what needs to be resolved is the account into which revenues will be paid to service construction debt.

The EPDC proposal moved ahead in the summer of the long time favourite for the lead BOT slot, a consortium led by Japan's Chiyoda Corporation and the US' Westinghouse Electric Corporation, when the latter group could not resolve structural problems in its package, especially the financial integration of an associated port for the 1,400-MW plant proposed at Yumurtalikin south-eastern Turkey.

Clinching the attractiveness of the EPDC bid for both the Turkish government and financiers has been the underwriting of construction financing by two of the consortium's members, Marubeni Corporation, and Hitachi Corporation.

Polish hotel agreement questioned

By Christopher Bobinski in Warsaw

A PROPOSED agreement between Trust House Forte and Orbis, the Polish state-owned tourist company, on setting up a joint company to renovate and run the Fina de Siecle Bristol hotel in Warsaw has been questioned by the Orbis employees' self-management council.

The democratically-elected council has told the Orbis management to improve the terms of the agreement with THF by bringing down the time for which the hotel would be leased to the new joint venture by Orbis, the present owner, from 30 years plus an option on another 30 years.

Earlier this month the employees' council, set up under legislation passed in 1981, vetoed a proposed joint venture with the Kempi ski company to renovate the Europejski hotel nearby on the grounds that the terms of the agreement discriminated against Orbis.

The Bristol project, where renovation work would be carried out by the Austrian Hofman Haculan company, is worth $35m and the bulk of the financing would come from the International Finance Corporation, a World Bank affiliate.

US looking for curbs on mixed credits

By Peter Montagnon, World Trade Editor

THE US will be looking for speedy international agreement to reinforce curbs on mixed credits when fresh talks on export finance open at the Organisation for Economic Co-operation and Development (OECD) in Paris next month, a US Export-Import Bank Director said yesterday.

"There is a short fuse on this one," said Ms Rita Rodriguez, a full-time Eximbank Director since 1982. The Administration has to report to Congress on progress in the talks by next spring, she added.

The talks, in the framework of the OECD Consensus on export credits, are expected to concentrate on eliminating interest subsidies on export credits to middle-income developing countries as well as on mixed credits – export credits sweetened with aid to make them more attractive.

Ms Rodriguez made clear in an interview that the mixed credits issue was the one to which the US attached the greater priority. Such credits had continued to proliferate despite international agreement to make them more expensive, in 1987, and the US has long argued they represent an unfair trading practice because they allow countries with large aid budgets to "buy" developing world business.

The Eximbank was still finalising its negotiating policy for the talks which open in Paris on November 13, but Ms Rodriguez said there were two possible ways of dealing with the problem.

'There is a short fuse on this one. The Administration must report to Congress by next spring'

One was to restrict the practice of tying aid to national exports; another was to limit the sectors to which mixed credits could be applied. There was not much developmental value in offering a mixed credit to a middle-income country so it could purchase telecommunications equipment, she said.

Unless the talks made quick progress, it was likely the US Eximbank would start making aggressive use of its "war chest" which is available to match mixed credit offers made by other countries.

Though the "war chest" stood at only $100m, it would support some $300m in exports and, since the success rate on bids for business in developing countries was low, it could be used to support a much larger amount of offers. "You could easily leverage that to a multiple of five, so that at any time you would have $1bn to $1.5bn of offers. That begins to bite," she said.

Despite US pressure for speedy results, the Consensus talks are expected to be lengthy and complex. The previous agreement, whereby a minimum grant element was imposed on mixed credits to make them more costly to the donors, took several years to reach.

Murata to invest £45m in English electronics plant

By Charles Leadbeater

A LEADING Japanese electronics components manufacturer is to create about 950 jobs over the next five years by investing about £45m in a manufacturing plant at Plymouth, south west England.

Murata Manufacturing chose the Plymouth site, which used to be owned by Texas Instruments, the US electronics company, after considering locations in West Germany, France and Spain.

The UK plant will complement production from the company's plant in Nuremburg, West Germany. It will begin production next year by displacing imports from the company's Canadian factory.

Although the plant will initially use imported raw materials, it hopes to quickly establish local sources of supply.

It is likely that apart from a small team of Japanese engineers very few of the employees at the plant will be Japanese. There is only one Japanese manager among the company's 88-strong sales force which was set up in 1983.

It will receive about £4.9m in Government grants to set up the plant. Murata hopes to start manufacturing ceramic compositors used in a wide range of electronics products and specialist electron magnetic filters. Staff recruitment will begin almost immediately.

The company said it decided to establish a UK manufacturing plant to meet growing demand from European electronics companies and in the wake of inward investment moves by other Japanese manufacturers.

Murata's move to Plymouth, where it will be close to Toshiba, one of its main customers, raises the prospect of more Japanese components suppliers following Japanese manufacturers into the European market.

Mr Yasuktaja Murata, vice president in charge of the company's overseas operations said the company's decision had not been affected by forecasts of slower growth in the UK economy over the next year.

He said: "Our time scale for assessing the British economy is not over six months or a year, but five or ten years."

Mr Murata said the company had chosen Plymouth partly because it did not want to be part of what he described as concentrations of Japanese companies in areas such as South Wales and Scotland.

Ferranti Creditphone to launch sale of handsets

By Terry Dodsworth

FERRANTI CREDITPHONE, the UK telecommunications group, which claims to have pioneered the telepoint mobile communications system, will begin selling its handsets at the beginning of next month.

The move will make Ferranti Creditphone the second of the four telepoint licensees to enter the market. British Telecom and STC launched a trial service two months ago, and another consortium, BYPS, made up of Philips, Barclays and Shell, will be launched in spring of next year. The fourth group of Motorola, Mercury and Shaye Communications has yet to make an introductory announcement.

Mr John Cummings, managing director of Ferranti Creditphone, claimed yesterday that the Ferranti group's long experience in telepoint technology would give it a strong lead in the market. By Christmas, the company aimed to have 1,000 Zonephone base stations in place and a further 4,000 would be installed by the end of 1990.

The four telepoint licensees are aiming at the mobile communications market with a cheaper, but more limited system than present car and portable telephones.

Soviets, Japan 'pose aerospace challenge'

By Paul Betts, Aerospace Correspondent

THE Soviet Union and Japan are starting to pose a big challenge to the Western aerospace industry Mr John Taylor, editor of Jane's aircraft manual, warned yesterday.

"Tremendous progress has been made by the Soviet Union aerospace industry", said Mr Taylor before the publication today of this year's edition of the authoritative manual.

He suggested that the Soviet Union may be taking a lead in designing and developing supersonic air transport and that Japan was also beginning serious studies of both supersonic and hypersonic aircraft.

He said that Europe urgently needed a committee to advise governments, one capable of identifying future for military and civil aircraft requirements and of helping Europe's industries to develop and build them.

Mr Taylor said the Soviet Union was concentrating on improving the Sukhoi-27 and MiG-29 fighter jets, the speed and manoeuvrability of which has recently impressed experts at international air displays.

However, the Soviet Union did not appear as anxious as the US to develop stealth aircraft, such as the US B-2 bomber which is designed to evade enemy radar.

"I believe it to be significant that there is little evidence of Soviet obsession with stealth, or low-observables, to which our US friends are devoting so much time and money," said Mr Taylor yesterday. But he claimed the Soviets were not unaware of stealth technology. "In fact, a large Soviet Navy missile cruiser produces a smaller radar signature than a Nato frigate," he said.

In the introduction to the 80th edition of Jane's, Mr Taylor also says the Soviets are raising their profile in the commercial aviation market. Among projects under study are the S-80 light 18-19 passenger transporter, the S-84 four-seat piston-engined light aircraft and the S-51 supersonic business jet being studied being studied in cooperation with the US Gulfstream Aerospace company.

Trade figures pass gloomy milestones

Narrowing the current account deficit looks set to take time, writes Peter Norman

NEWS that Britain's current account balance of payments deficit fell last month to a provisional, seasonally adjusted £1.64bn from £2.01bn in August brought the City of London no cheer.

Although the September figure was in line with the consensus of forecasts and the August deficit was revised upwards by only £11m, Sterling lost 1¼ pfennigs after the news and prices of government bonds fell.

For while Britain's exports reached record levels last month, so did imports. Although the September current account deficit was the lowest monthly deficit since May, it also took Britain's trade figures past several gloomy milestones.

The £5.9bn current account deficit for July to September marks a new record for a quarter. At £15.6bn, the deficit for January to September has already overtaken last year's £14.6bn total and the £14.5bn deficit projected for the whole of 1989 by Mr Nigel Lawson, the Chancellor of the Exchequer, in his budget in March last year.

The Treasury drew comfort from the trend of exports. In the third quarter, export volumes, excluding oil and erratic items, comprising ships, North Sea installations, aircraft, precious stones and silver, rose by 4.5 per cent compared with the second quarter and 8.5 per cent compared with the third quarter of last year.

This, Treasury officials said, was a sign that Britain was benefiting from improvements in the supply side of the economy and that the current account deficit did not reflect a competitiveness problem.

The Treasury also said import growth was slowing "significantly." However, the latest figures showed that import volumes, excluding oil and erratics, were still 5 per cent higher in the third quarter than in the second and 10 per cent higher than a year earlier.

Treasury officials said the import trends pointed to continued excess of demand in the economy during September. But they noted that base rates and, more important, mortgage rates have risen since the latest trade data was collected.

Mr Lawson said last week at the Mansion House that the narrowing of the current account deficit was "bound to take time." Yesterday's figures for the value of exports and imports bear him out.

Visible exports jumped by nearly £1bn to £8.4bn between August and September and their year-on-year growth in value terms was 13 per cent in the latest quarter compared with the same period of 1988. But visible imports in the third quarter were still 14 per cent higher in value than a year earlier.

For the current account to narrow, export values will have to grow at an appreciably faster rate than imports.

An important pointer will be trade in cars. In the latest three months, British car exports fell in value by 8.5 per cent to £593m from £647m in the April to June period while imports jumped by 23 per cent £2.14bn from £1.74bn. By volume, UK car exports fell by 13 per cent between the two quarters compared with a 23 per cent growth in imports.

However, the export trend is unclear. British car exports in the latest three months were 25 per cent higher in value and up 20 per cent in volume compared with the same 1988 period. On a year-on-year basis, volume imports were up 18 per cent and 21 per cent in turn.

Future trends will depend largely on whether British domestic demand responds to the additional credit squeeze imposed this month. Many analysts believe it will, although October's trade figures could still be disappointing.

If demand does slow at home, they argue that manufacturers should be in a relatively good position to switch output to satisfying strongly growing markets elsewhere in Europe because of the recent decline in the value of sterling against the Deutsche Mark and other continental currencies.

CURRENT ACCOUNT (£bn)

	Current Balance	Visible Trade Balance	Visible Trade Exports	Visible Trade Imports	Invisibles Balance
1987	-3.7	-10.9	79.4	90.4	+7.3
1988	-14.6	-20.8	80.6	101.4	+6.2
1989					
Qtr 1	-4.8	-6.0	21.7	27.8	+1.2
Qtr 2	-4.9	-5.9	22.6	28.5	+1.0
Qtr 3	-5.9	-6.8	23.6	30.4	+0.9
Jul	-2.2	-2.5	7.7	10.3	+0.3
Aug	-2.0	-2.3	7.5	9.8	+0.3
Sep	-1.6	-1.9	8.4	10.4	+0.3

Invisibles for July to September are projections. Figures may not add up due to rounding. Source: CSO

Employers paint bleak picture of business

Simon Holberton on the pessimistic conclusions of the CBI's latest industrial survey

BUSINESS optimism in Britain is low, growth in output has appeared to cease, and investment plans may be curtailed, according to the Confederation of British Industry (CBI), the country's employers' organisation.

In its latest quarterly survey of trends in manufacturing industry the CBI removes any doubt about the "success" of the Chancellor of the Exchequer's policy of using high interest rates to cool the UK economy. Domestic demand for UK goods has slackened considerably, it says.

The CBI provides, however, only small comfort on the trade side. Manufacturers are pessimistic about the prospects for exports in the coming year, although over the coming months they expect some pick up in orders.

British industry has taken a turn for the worse over the past three months and the possibility of a recession can not now be ruled out. Many companies, however, believe a recession can be avoided and point out that industrial activity in the UK is slowing from a very high base.

The CBI survey was conducted between September 20 and October 11. Bank base rates were increased to 15 per cent from 14 per cent on October 6. The survey covered 1,224 companies, respnnsible for about half of the UK's exports of manufactured goods and employment.

The survey shows business confidence fell to its lowest level since October 1982 over the past three months, the fourth successive decline. The CBI said respondents were markedly less optimistic now than they were three months ago.

The reduced confidence seen over the past 12 months contrasts with a period of continued rises in optimism seen in 1987 and 1988. The areas in industry where confidence is thought to be weakest are: small firms with under 200 employees, the consumer goods industries, while there has been a sharp fall in business optimism in the capital goods industries.

Some 15 per cent of respondents said they were more optimistic about the business situation, while 41 per cent said they were less so. The resulting negative balance of 26 per cent compares with a negative balance of 19 per cent in the July survey.

The CBI "balance" of how the economy is performing on industrial orders, for example, is calculated on the difference between companies which register a growth in orders and the percentage which register a loss.

The outlook was similarly bleak for orders and output. In October manufacturers reported a fall in total new orders, or demand, for the first time since Jnly 1986 and despite an expected pick-up three months ago. The CBI said total nrder bnnks have weakened markedly since July.

Growth in output appeared to cease over the past three months. A CBI balance of -1 per cent – the first negative result since October 1986 – indicates a decrease in ontput over the past four months.

Optimism about exports over the next 12 months has slightly (a balance of -2 per cent compared with a balance of +2 per cent in July). The CBI said it reflected a lack of export orders over the past four months. The deterinration in confidence is particularly marked among the largest Companies.

The volume of export orders was unchanged in the third quarter of 1989, despite July's expectation of a slight recovery..

On capital expenditure, investment intentions have weakened since July, partly reflecting lower capacity utilisation and expectations of lower demand. A balance of -3 per cent indicated they expect to authorise less capital expenditure over the next 12 months than in the past 12 months. Companies expect to run-down their stocks of finished goods, with larger companies expecting the most significant destocking in the coming months. Companies also appear to have cut back their intake of raw materials and semi-manufactured goods in respnnse to their expectations for demand.

A shortage of orders, meanwhile, is the most frequently cited constraint nn output over the next four months. Plant capacity comes next but is much less so than a year ago.

Shortage of skilled labour as a constraint on output is seen declining significantly over the next four months.

Manufacturing employment fell more sharply over the past four months than was expected in July. A balance of -13 per cent reported lower employment over the past four months.

UK NEWS

Ambulance staff go back to work

By Fiona Thompson and Michael Cassell

A police van, answering an emergency, brings an elderly patient to St Thomas' hospital in London

LONDON'S 2,500 ambulance workers returned to work last night after staff agreed to lift restrictions which had prompted the Londoo Ambulance Service to take virtually all staff off the payroll on Monday and divert emergency calls to the police and voluntary agencies.

Earlier, Mr Kenneth Clarke, Health Secretary, had told MPs in the House of Commons that the Ministry of Defence was reviewing its resources in case the army was called on to help out.

The London staff had imposed the restrictions, on the use of radios in certain situations, on switching crews between stations and on ferrying non-urgent patients to and from hospital, on Monday as part of a national campaign of action against a rejected 6.5 per cent pay offer.

That oational campaign is still continuing its overtime ban, but unions and management were meeting last night at the coociliation service Acas in a bid to resolve the six week dispute.

Mr Dnncao Nicbol, NHS chief executive, agreed to meet after a written request from Mr Roger Poole, chief trade union negotiator for the ambulance workers.

Both sides have been separately to Acas since the dispute begao but this was the first time they had met face to face.

Mr Poole said the unions were prepared to stay at Acas all night in order to get an agreement. They were still seeking an improved pay offer.

Mr Nichol again ruled out putting the issue to arbitration, which the unions have been calling for since the dispute began but the Department of Health has consistently rejected.

The London agreement came after staff agreed to lift the restrictions that the London Ambulance Service hed regarded as the most damaging of a 14 point work-to-rule plan.

Mr Tom Crosby, London's chief ambulance officer, reiterated his support for more pay for London ambulance workers, "given the particular problems of the London service."

As an act of good faith, and in return for the staff remaining on station throughout both days, pey would be reimbursed, said the LAS.

Before the situation was resolved, only six of the capital's 71 ambulance stations were operating yesterday. The Metropolitan Police, with the help of the Red Cross and the St John Ambulance Brigade, were answering emergency calls.

Mr Crosby said he hoped the reintrodnction of emergency cover and the national talks at Acas would provide "a good springboard" for an end to the dispute.

In the House of Commons, Mr Clarke laid the blame for the disruption to ambulance services squarely on the shoulders of the ambulance staff.

Mr Neil Kinnock, leader of the opposition Labour party, called on the Government to allow the dispute to go to binding arbitration.

PM pressed to silence Walters

By Philip Stephens, Political Editor

MRS Margaret Thatcher, the Prime Minister, is facing strong pressure from backbench Conservative MPs to forbid Sir Alan Walters, her senior economic adviser, from making further public statements of his views on government policy.

Mrs Thatcher, who returns today from the Commonwealth Conference in Kuala Lumpur, will be told by government managers that Sir Alan's recent comments on the European Monetary System have caused deep resentment among her own supporters.

Yesterday Sir William Clark, the chairman of the party's finance committee, said that Sir Alan should not give public interviews, adding that he was providing "ammunition" for the opposition Labour Party.

Party managers said they had received a "stream" of similar representations and the message would be conveyed to Mrs Thatcher before she faces Commons questions tomorrow.

The Prime Minister will be expected to endorse Mr Nigel Lawson's statement yesterday that Sir Alan's views are not those of the Government.

Lloyds to restrict syndicate accounts

By Patrick Cockburn

LLOYD'S of London, the private insurance market, is to introduce stringent new measures making it more difficult for insurance syndicates to keep their accounts open beyond the normal three years.

The move is aimed at preventing Lloyd's managing agents leaving an accounting year open in order to avoid facing up to problems facing a syndicate or calling for more cash from its members.

There are currently some 115 open years involving 68 syndicates. In most cases accounts have not been closed because it has proved impossible to put e sufficiently precise figure on losses, such as those stemming from pollution and asbestosis claims in the US.

In some cases, however, the Council of Lloyd's believes "open years" have been declared when not strictly necessary. The regulations announced yesterday aim to make it much more difficult for managing agents to keep accounts open by prescribing a series of steps they must take when doing so.

In future, a managing agent seeking to declare an open year will be required to obtain an independent actuarial report, including an opinion as to whether the agent has acted responsibility.

Currently, the liabilities for a year are normally reinsured internally by a syndicate under the same management with tha following year's account, known as Reinsurance To Close (RITC).

Under the new regulations, the managing agent must seek an independent quote for the insurance to close – in effect obliging the agent to see what view the market takes of the year in question.

Until the year is closed, the rules will in future limit the ability of a managing agent to isolate a single problem year from the rest of his or her business.

Regulations include the submission of reports on the state of the account every six months and an important role for the Underwriting Agents Registration Committee, whose permission must be sought for opening a new syndicate.

The measures, which were first proposed in August, are somewhat harsher and have been introduced more speedily than many members of Lloyd's had expected.

Mr Anthony Haynes, chairman of the Association of Lloyd'a Members, welcomed the new rules but said that they wouldn't have much impact on the 115 years already open.

London bus routes put up for sale

By Kevin Brown, Transport Correspondent

LONDON Regional Transport, the state-owned holding company for London's bus and underground railway services, is planning to put a further chunk of its bus network out to tender.

Around 23 per cent of the LRT bus network has already been tendered in a programme which began after the bus industry in the rest of the UK was deregulated in 1986.

Most of the tendered services are run by private sector operators, although London Buses, the LRT subsidiary which operates the rest of the network, has won some routes.

Mr Nick Newton, manager of LRT's tendered bus unit, said tendered bus services had been proved to be more reliable and around 15 per cent cheaper than the services they replaced. "This has encouraged us to quicken the pace of putting out services to tender."

The latest tranche of routes to be put out to tender represents around 10 per cent of the LRT network, or around 18m bus miles. The 29 routes on LRT's list inclnde all those operated from London Buses' Edgware garage, and parts of services in Wandsworth and Barnet. The successful tenderers will need around 500 buses to operate the routes.

LRT is in the process of splitting up London Buses into 13 units to prepare for the extension of bus deregulation to London, probably in 1992.

The Transport and General Workers' Union warned yesterday that deregulation and privatisation may be leading to the end of 50 years of relative industrial peace on the buses.

Mr Graham Stevenson, the union's passenger services national secretary designate, said he expected wages to suffer from privatisation.

In Brief

UK pension funds 'plan' change in investment

UK pension funds plan to put more than a quarter of their investment in domestic equities into indexed (or "passively managed") funds, according to a survey by US research group Greenwich Associates.

Passive management – tying investment to a stock market index – has become popular as institutional investors have succumbed to the theory that without genuine "insider" information they stand no better chance than anyone else of "beating the market".

Engineers talks

Engineering union leaders today meet employer representatives in e bid to negotiate a settlement in their dispute over a shorter working week before strikes at British Aerospace and Rolls-Royce next week. The unions and the Engineering Employers' Federation said the talks were informal and stressed that there was a considerable gulf between their positions.

SDP president

Mr John Cartwright, MP for Woolwich, has been re-elected president of the Social Democratic Party. He won 69 per cent of the 3,900 votes cast against his rival, Mr John Martin, the SDP's candidate in last year's Kensington by-election.

Manx hunt ban

The Isle of Man parliament voted to ban fox-hunting and hare-coursing on the island. Fines of up to £2,000 will be imposed for breaking the law.

North-East economy

North-east England's regional economy appears to have weathered the third quarter of the year better than other parts of the north, with sales and orders holding up and most businesses continuing to do better than a year ago, according to the Tyne and Wear Chamber of Commerce.

Car strike threat

Vauxhall, the GM-subsidiary car maker, faces a series of strikes by its 9,000 manual workers after union leaders rejected the company's revised pay and conditions offer.

Co-op in Switch

Co-op retail stores, the largest UK retail outlet, is to join the Switch electronic debit card scheme under an agreement announced yesterday between Royal Bank of Scotland, one of the founder members of the Switch consortium, and Co-operative Bank.

Teachers pay vote

NAS/UWT, teachers' union, threatened to ballot its 118,000 members on industrial action, unless the Government raises pay limits set by Mr John MacGregor, Education Secretary, at £600m, equivalent to 7.6 per cent on the teachers' pay bill.

Child benefit

Sir Geoffrey Howe, deputy Prime Minister, refused to confirm that the Government had frozen child benefit again this year but said social security spending had risen by a real third in the last 10 years.

FT LAW REPORTS

Commission contract contravenes US law

ALI AND ANOTHER v CARRIER TRANS-CONTINENTAL CO LTD

Queen's Bench Division (Commercial Court): Mr Justice Leggatt, October 12 1989

A PERSON who is in a position to specify and recommend the use of equipment for the purpose of a foreign government's construction project, is deemed to act as a "foreign official" for the purposes of the US Foreign Corrupt Practices Act 1977. And misuse of his deemed official position by promoting the use of certain equipment in return for "commission" nullifies the commission contract if it was agreed that contravention of the Act should render it null and void.

Mr Justice Leggatt so held when giving judgment for the first plaintiff, Mr Khalil Osman Abdul Ali, trading as CIE Consulting Engineers, and against the second plaintiff, a Liberian company called Flamma, in their claims for commission against Carrier Trans-Continental Co Ltd and another company in the same group.

HIS LORDSHIP said that by agreements dated 1979 and 1980 called the Hocom and ADCCC agreements, Carrier agreed to allocate to CIE and Flamma respectively five per cent of f.o.b. point of shipment value of air conditioning equipment purchased from it, the commission to be payable "in respect of sales and co-ordination services."

The construction contracts to which the Hocom and ADCCC agreements related were fixed price contracts and the employer was not affected by the price of individual components included in the work. For both projects CIE acted as consultant engineer.

CIE was in a position to specify and recommend the use of particular equipment for each project, subject to approval of the employer, which in both cases was the Saudi Arabian Ministry of Defence and Aviation.

In neither case did the Ministry know of the agreement to pay commission.

The general manager of CIE was Dr Cherkez, who was in direct charge of all engineering services. He decided to distinguish between its engineering and marketing sides. He had therefore acquired *Flamma*, a Liberian corporation, for the purpose of conducting the marketing services that he provided.

By the latter part of 1982, Carrier's products had been used for the purposes of both projects in accordance with their expectations. Nevertheless, save for four small payments in 1981 and 1982, Carrier paid no commission.

When pressed for payment, their representatives prevaricated. Their reluctance to pay was contrasted with the enthusiasm with which they must have entered into the agreements in the first place.

In the present proceedings *CIE* and *Flamma* claimed commission under the agreements.

Carrier admitted that *prima facie* they were entitled to commission, but denied liability on the ground, first, that there was breach of a term prohibiting "transfer of funds" to an individual who served "in any official government capacity."

Since CIE did the work and Flamma only received the money, it might be assumed that Flamma intended to pay it to CIE. But under no sensible interpretation of the phrase could CIE be regarded as an individual who served in an official government capacity.

On the evidence there was no breach of either contract of the terms prohibiting transfer of funds to anyone serving in an official government capacity.

The second ground on which Carrier denied liability was that clause 7 of the ADCCC agreement provided that the contract should be null and void if it contravened the US Foreign Corrupt Practices Act 1977.

Expert evidence was given about the Act. The question for the court was whether any action taken pursuant to the ADCCC agreement contravened the Act.

Section 103(a) of the Act made it unlawful for a US company "corruptly" to pay, promise to pay, or authorise the payment of money to any "foreign official" for the purposes of inducing him to use his influence with a foreign government to affect its decision, to assist the company in obtaining business.

It was also unlawful corruptly to make or promise a payment knowing that it or part of it would be given or promised to a foreign official for like purposes.

In the circumstances a contravention would be established if Carrier could prove that (a) CIE, as a prospective recipient from Flamma of any payment or part payment made by Carrier, constituted a "foreign official" within the meaning of the Act; and (b) that Carrier's promise to pay commission was made corruptly.

The Act defined a "foreign official" as "any officer or employee of a foreign government or any department, agency or instrumentality thereof, or any person acting in an official capacity for or on behalf of any such government or department, agency or instrumentality."

In *United States v Griffin 401 FSupp 1222 (SD Ind 1975)* a private contractor was deemed to be acting "for and on behalf of" the Federal Government, and to be a "public official." The court agreed that he operated as an independent contractor but held that did not preclude him from qualifying as a person acting for and on behalf of the US under the relevant Act. It felt that the contractors were placed in a position of responsibility and were enabled to exercise discretion to act for and on behalf of the Federal Housing Anthority with respect to bids for housing repairs. The mere fact that Mr Griffin was an employee of the contractors did not prevent him from acting as a "public official" as defined in the relevant statute. "The purpose of the statute," said the Distict Judge, "is to protect the public from the evil consequences of corruption in the public service." The court concluded that Mr Griffin and the corporation of which he was president were acting for and on behalf of the US for purposes of the statute.

Since the defendants in *US v Griffin* were held to be public officials, the court was obliged to hold that Flamma was similarly acting as a "foreign official" within the meaning of the Act.

US courts frequently drew on an analysis of legislative history in construing a state. The Senate report for S305 stated that "corruptly" was used to make clear that the payment must be intended "to induce the recipient to misuse his official position" in order "to wrongfully" direct business to the payer or his client. It said: "The word 'corruptly' connotes an evil motive or purpose, an intent to wrongfully influence the recipient."

The purpose of the ADCCC agreement could not but have been to induce CIE to misuse its official position by promoting the use of Carrier's equipment, and it was with that intent that Carrier agreed to pay the commission due.

The court was satisfied beyond reasonable doubt that Carrier's promise to pay commission under that agreement constituted a contravention of the Act.

By force of clause 7, the ADCCC agreement was therefore null and void.

No such clause appeared in the Hocom agreement, and it was not argued that if there were a contravention of the Act in entering into that agreement it would be unenforceable, or that Carrier would be relieved from its obligation to pay.

Carrier's third contention was that the court ought to decline to enforce both agreements on the ground that they were contrary to the public policy of the UK and of Saudi Arabia.

There was no evidence of the law of Saudi Arabia, nor any evidence worth the name of its public policy. Both agreements contained an express provision that if payments were against the law of Saudi Arabia, they would be null and void. From the fact that no such allegation was made the court inferred that the payments were not contrary to Saudi Arabian law. If they were not, it was hard to contemplate that they were contrary to its public policy.

Judgment for CIE in respect of its claim under the Hocom agreement, but not for Flamma in respect of its claim under the ADCCC agreement.

For the Plaintiffs: Andrew Collins QC and Stuart Issacs (Peter T. James & Co)

For the Defendants: Michael Brindle (Slaughter and May)

Rachel Davies
Barrister

MANAGEMENT

The conventional in pursuit of the unconventional

Ian Bollom explains to **John Hunt** why much of his training and experience runs counter to the demands he now finds as finance director of the National Trust

INSIDE EDGE

Ian Bollom is finance director of an organisation that has been enjoying a continually rising revenue, has valuable assets and remarkably high customer loyalty.

However, he also has to contend with unique management problems. He has no discretion over how sizeable amounts of his cash may be spent and his assets, many of which are extremely valuable, are worthless as collateral – be cannot sell them.

Bollom has just completed his first year with the Netional Trust, an organisation established in 1895 to preserve historic homes and beanty spots in England and Wales and keep them open for the nation. He has found it a startling contrast with his previous experience as a chartered accountant with Price Waterhouse, followed by five years in the construction industry.

As be remarks: "In trying to preserve things forever you discover that what would be perceived as an asset in the ordinary commercial world cannot be sold. In financial terms it becomes a liability. It is topsy-turvy."

The National Trust owns 550,000 ecres, including 207 houses and gardens which are open to the public, and also controls 504 miles of coastline. Bollom estimates that if all the assets of the trust were valued they would be worth over £2bn. However, this would be e purely academic exercise.

Strategic planning in e commercial company would be reckoned in years but the trust has to plan up to a century ahead.

Before a building is taken over a study is made of the requirements over the next 50 years. This includes the size of the endowments needed to provide an adequate income to run it, a structural survey and estimates of repairs and maintenance, staff numbers and catering facilities.

At Stourhead, in Wiltshire, the garden plan looks 100 years ahead because that is the cycle the gardeners have to work to.

The trust's membership has grown rapidly, up from 1.1m in 1984 to 1.7m now and membership income rose last year from £18.3m to a healthy £21.1m. This growth means more wear and tear on properties et a time when the cost of repairs and maintenance is rising faster than the rate of inflation.

Another problem is that it has funds of £200m largely made up of bequests and donations which cannot be touched for general purposes. Also, a capital endowment fund of £110m has to be preserved in order to generate income. And a defined purposes fund of £80m can only be spent for the purchase or maintenance of specific properties.

Yet Bollom does not contend wholly with an unconventional world. An expanding, and important operation is the trust's retailing business. This now turns over more then £15m a year, earning £2m of profits in 1988.

The shops selling a range of National Trust goods are becoming an increasingly sophisticated operation. Trade managers from the 16 regions snggest new products and these are considered by the prodncts panel under the trust's director of trade.

Bollom, who is 39, has always been interested in the work of the National Trust; his wife enrolled him as e member in 1971. He now muses that she might regret having done this. His job – advertised as "suitable for someone approaching retirement" – requires him generally to work 12 to 13 hours a day with his time divided between Hayward House, Westbury, Wiltshire, where the trust has its finance department, and the headquarters in London.

While Bollom's career and training have followed a more conventional business path, his education has apparently proved invaluable. He took an honours degree in economic history at Exeter University and says: "Oddly enough, my present job is the only one in which it has ever come in useful. We have to take a long view at the Netional Trust."

He became fascinated by industrial archaeology – part of his degree studies. This is now useful as the trust is taking an increasing interest in this area. "I am afraid it could give me a bias in favour of these types of building when we are making acquisitions," he says.

With the explosion of interest in tbe environment the public expects a high standard of conservation. This can prove expensive and great care is taken to calculate what costs are involved. When e new property is acquired experts are called in to examine the local flora and fauna to assess the conservation requirements.

The trust is now looking at the possibility of putting this information on an integrated computer system so that it can have a complete overview of its environmental commitments.

If Bollom has to contend with unique management problems, he also has one unique, and potentially useful, qualification. He is the trust's only qualified dry cleaning operative.

Bollom was born in Bristol where his fatber had a dry cleaning business, Bollom's Cleaners, now part of the large Johnson industrial cleaning group. He worked in the shop during his university vecations.

On leaving university he became an articled clerk with Price Waterbouse and was there for 12 years. During that time he was seconded for one year to Westinghouse Corporation in Hungerford where he was chief acconntant for operations involving three factories.

He then returned to work on insolvency for Price Waterhouse and gained a knowledge of the construction industry when he had to deal with the insolvency of Ernest Ireland, the construction company which was eventually sold to Mowlem.

There followed e period still working for Price Waterhouse in South Africa and Zimbabwe.

Back in England he took on some of Price Waterhouse's work with charities and the National Trust became one of his responsibilities.

In 1983 he left Price Waterhouse and moved to the Isis Group, e construction company. This also proved useful experience for his present job. He had responsibility for a project under the business expansion scheme which involved the refurbishment of e historic house as a hotel.

Bollom says of the trust's role: "We have a very clear purpose. That is to preserve places of historic interest and national beauty for the benefit of the nation.

"We can't just act like a commercial company and move into other spheres of activity. But at least you don't have the worry that you might be taken over next month."

Soviet managers at UK polytechnic

David Thomas on a novel training exercise

Coventry Polytechnic has this month transformed itself into a management training school for senior factory managers from the Soviet Union, an unusual venture which says much about the Soviet priorities in the age of perestroika.

The 28 Soviet managers on the course are not restricting their energies to academic study during their month in Britain. They have also been busy talking about joint ventures with British companies in the Midlands – discussions which are proceeding well in at least two cases.

The importance attached to management education in the Soviet Union is perhaps best demonstrated by the Coventry course members having agreed to pay its £2,000 per person cost in sterling. This is believed to be the first time that the Soviets have used precious hard currency for management training in Britain.

Indeed, the notion of sending Soviet managers – as opposed to academics – for education in Britain is relatively novel. The London Business School was one of the pioneers when it put on a course in April for 25 senior managers, paid for by British Government agencies.

Coventry's participation in the burgeoning Soviet management ednication programme arose from a lecture tour earlier this year in the Soviet Union by Noel Hibbert, senior lecturer in industrial relations at the polytechnic.

Hibbert was contacted by the anthorities in the Central Asian republic of Kazakhstan, asking whether his polytechnic could help with training for senior managers in the region. The polytechnic negotiated a price for the course through a centre for Soviet co-operatives in Kazakhstan, which then marketed it within the country and selected participants.

Course members in Coventry are mainly from Kazakhstan, bnt with a sprinkling from Leningrad and Moscow. They are chief executives or chief engineers of operations ranging from a phosphate factory on the Caspian sea employing 35,000 people, through an agricultural machinery plant, a tannery, to a senior executive in the Soviet merchant navy.

The Soviet managers are attending lectures on most aspects of management, including marketing, production, quality control, distribution and personnel management. They are also visiting a number of establishments in the UK, owned hy companies such as Conrtaulds, Federal Express, Massey Ferguson and Geest, to learn about western managerial practice on the ground.

Some course members have also opened business discussions with local companies. Officials flew over from the Soviet Union this week to continue negotiations with Embank International, a small Solihull-based company, which specialises in exporting the semen and embryos of pedigree cattle; these talks began only three weeks ago with members of the Coventry course. Similarly, ATP, a Staffordshire company, has been talking to course members about selling automatic transmissions to Soviet vehicle manufacturers.

Indeed, some Soviet managers in Coventry see exposure to western business as one of the main benefits of management training outside the Soviet Union. "I'd like to know the real situation in business here. We'd like to enter the world market, not as beginners, but in an advanced state," explains Sergej Loopchkin, a senior engineer from a Kazakhstan factory.

Many more Soviet managers look set to have the chance of sampling UK husiness techniques.

Noel Hibbert says Coventry will certainly put on another one-month course and may arrange longer sessions, since there appears to be demand from the Soviet side for three-month or even one-year courses, leading to some sort of management certificate.

More Soviet managers will be visiting the London Business School next month for a course paid for by Rank Xerox and the British Council. A course for younger Soviet managers is also being planned by LBS jointly with Warwick University and Kingston Polytechnic next March, while the business school and the British Council intend to hold a two-week training session for Soviet management educators in Moscow next Easter.

Ranking Europe's business schools

By Michael Skapinker

William Cox is a 33-year old German-born American. Mention his name to officials at some of Europe's business schools and their reaction is one of fury.

The focus of their anger is e study Cox pnblished last month called Die Top-Ten 1989-90. The study, which is in German and which ranks Europe's top 10 bnsiness schools, was reported on this page on September 22.

The attempt to rank Europe's schools was not unprecedented. Last year Economist Publications named Insead in Fontainebleau as Europe's top school, followed by the International Management Institute in Geneva and London Business School.

Europe's schools are generally comfortable with this pecking order.

They do not feel the same way about Cox's ranking. At the top of his list was the Rotterdam School of Management. The International Institute for Management Development, the fruit of a merger between IMI and Insead of Lausanne, was second. Insead was in seventh place. London was tenth.

The most controversial name on the list was the Graduate School of Business Administration in Zurich, which Cox put in third place. It was not just that some of the bnsiness schools thought that GSBA should not be on the list. They also asked what Cox's connection with GSBA was.

Cox confirms be did once do work for GSBA. Until early 1987, he says, he was the general manager of the Zurich office of Hill and Knowlton, which did public relations work for GSBA.

In early 1987, he says, be left Hill and Knowlton to set up his own Frankfurt-based firm, Cox Communications Consultants (CCC). Cox says that at the time he was leaving Hill and Knowlton, he did some work for GSBA under the name of CCC. He insists, however, that he has done no work for the school since then and that his ranking has been an independent effort.

Albert Stähli, the dean of GSBA, confirms that Cox has not worked for the school since the first part of 1987.

Since then the school has handled its own public relations, Stähli says, although it does sometimes use a Zurich-based consultant, Dr Regula Pfisten, a partner in a firm called APR.

Business courses

Corporate job crestion, London. November 16. Fee: non-profit-making bodies £57.50; IMS subscribers £172.50; non-snbscribers £230. Details from Conference Administrator, Institute of Manpower Studies, Mantell Building, University of Sussex, Falmer, Brighton BN1 9RF. Tel: 0273 678181.

Design study tour of Japan, Dec 1 - 9. Organised by Engineering magazine, an arm of the UK Design Council. Planned company visits include Sony, Ricoh, Mitsubishi Electric, Minolta, Teijin, Brother, Toyota and Fanuc. Cost £4,920 plus VAT. Details from Richard Wood, The Design Council, 28 Haymarket, London SW1Y 4SU. Tel 01 839-8000. Fax 01-925 2130.

Selling customer support, London. December 4-5. Fee: £545 + VAT. Details from The Infomatics Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 01-871 2546. Fax: 01-871 3866.

Motivating and managing data processing personnel, London. November 20-22. Fee: £775 + VAT. Details from the Seminar Department, Frost & Sullivan, Sullivan House, 4 Grosvenor Gardens, London SW1W 0DH. Tel: 01-730 3438. Fax: 01-730 3343.

TELEVISION

Funny ha-ha and funny most peculiar . . .


Alexei Sayle: a cure for the doldrums

All right, I recant. Last week's grouchy claim that the more programmes we were offered, the less there was worth watching, probably had more to do with the end of the holidays, the approach of autumn, and a bout of depression than with the actual state of television. Critics, as much as anybody else, are subject to moods, but it is unfair if those moods lead to generalisations which have more to do with the state of the writer's mind than the state of the industry.

The day after that column appeared, BBC2 began a new series of *Alexei Sayle's Stuff*, a programme which has more funny and original ideas per minute than plenty of the old comedy programmes used to have in a season. Sayle and his co-writers, Andrew Marshall and David Renwick, began with the wonderful fantasy that "Alexei Sayle" was a character created by Walt Disney, and we had a black and white Sayle in the style of *Steamboat Willie*, followed by artists flicking through colour cells of the modern-day Sayle.

After throwing away the line "Every year this French village is given a Christmas tree by the German people in gratitude for their collaboration during the war" (dangerously like a one-line version of *Le Chagrin et La Pitié* and consequently frighteningly funny) he went on to two sketches which matched the highest standards of *Monty Python*: the social effects of a film critics' strike, and a rugger team behaving after a match like the high-camp cast of a West End play on opening night - "Darling you were *wonderful!*"

The same evening had already brought the opening episode in a series called *The Victorian Kitchen*, inspired by the unpredictable triumph of *The Victorian Kitchen Garden*. Once a disastrously pushy male presenter had disappeared and we were left with the redoubtable Ruth Mott, former cook to the gentry, it became clear that this series was going to have all the atavistic attractions of *Upstairs Downstairs* combined with the same fascination in Victorian technology as the gardening series. Obviously the work in kitchens of this sort was appallingly tough and labour-intensive (Mrs Mott and her young helper "tammying" soup through linen sheeting proved it),but presumably pride in personal expertise and achievement was greater than most people ever experience today.

That was by no means the end of Thursday's attractions. It was followed on BBC1 by the first in a new series of *The Les Dawson Show*, a programme which would vie with Sayle's for the title "Best Comedy Half Hour Of The Week" if only they would drop all the old-fashioned "variety" (notable, of course, for its total lack of that quality) and concentrate on Dawson's extraordinary strengths. "I married a lovely girl", he confided, "she's very musical: plays her trombone in bed every night, but I'm getting a bit fed up because it's chipping the gilt off me harp". The best gag of the evening came when Dawson and his guest, both in evening dress, were joined by a penguin, looking very similar, waddling busily around the performers before lurching over to eye the band. Dawson and Co never said a word and only the camera acknowledged the animal's presence.

One of the best episodes of *Blackadder* ever recorded, with Rik Mayall joining the cast to play the sexual braggart Sqdn Cdr Flasheart, and Adrian Edmondson as his sworn enemy Baron Richtoven, was followed on BBC2 by yet another opening episode in a new series: *Smith And Jones In Small Doses*. Looking like an over-elaborate version of one of their head-to-head sessions, this stretched short story (20 minutes) was the least successful of the evening's innovations, and future episodes will need to be watched to see whether the desire of all comedians to be Taken Seriously is being over indulged.

Thursday was not that unusual. Earlier in the week we had had a spate of new series of all sorts. Tuesday saw the start of ITV's *Inside The Brotherhood*, the first attempt that I can recall to make a proper television study of freemasonry. Considering the organisation's obsession with secrecy, the opening episode did amazingly well by using whatever archive footage there is (of a public procession in Scotland, for instance) plus studio reconstructions of the initiation rituals, and a minimum of wallpaper – as television producers call those stock shots of buildings and whatnot over which they lay otherwise un-illustratable script.

Late that evening on C4 we saw the first part of *Snakes And Ladders*, a comedy set in 1999 when Thatcherism is wholly triumphant and there are border points between northern and southern England. Adrian Edmondson plays the rich louse and John Gordon Sinclair (of *Gregory's Girl*) the modest worker whose roles are reversed by the computer. There are distinct bricks of potential here, and we must pray that the writers Marks and Gran can stick to a trowel rather than a readymix lorry to apply the comic mortar.

Julian Clary, who is more camp than a field full of polka-dot bell tents, followed that with the opening edition of *Sticky Moments* which, we were assured on Saturday's *Right To Reply* (where Brian Hayes is proving as good a chairman as Gus Macdonald which means very good), is intended as a spoof on other game shows and is determined not to embarrass its guests. Odd, then, that Clary was so intent upon ridiculing their clothes, hairstyles and general appearance. Despite that, the show was – just – outrageous enough to be funny once. But can it be funny again?

Friday night brought the first in the new social affairs series, *Public Eye* which, we are told, is part of the BBC's current affairs revolution. The opening report was on the increasing racism and separatism of many British muslims (encouraged, no doubt, by television's spate of separatist black programmes in the past five years). The series certainly represents expansion, though whether it provides anything we have not had previously, is yet to be proved.

Yet more new comedy turned up on Saturday with *The Nutt House*, an American series created by Mel Brooks and Alan Spencer and showing some, though not enough, of the Brooks hallmarks. Several of the characters – notably hotel manager Reginald J. Tarkington and his female counterpart Ms Frick – are way over the top, and there are touches which would enchant Marty Feldman if he were still with us: the short-sighted lift man who always opens the gates two or three feet from the floor, and the commissionaire who calls cabs inside the lobby, for instance. Yet the programme does not approach the standard of the Marx Brothers, who provide the obvious model.

On Sunday afternoon C4 has begun an 18-part series on *Art of the Western World*, presented by Michael Wood, who made such a memorable television debut with his programmes about the English dark ages. Twenty years on from *Civilisation*, with decades of *Omnibus*, *Chronicle* and *The South Bank Show* behind us, we are pretty blasé about art history series of this sort today. Yet this canter through the cultures that have formed our aesthetic sense – we have done the Greeks and the Romans in just two programmes – is well made and, occasionally (as when showing a Greek statue brilliantly painted as the Greeks would have seen it), eye opening.

Then on Sunday evening, ITV has started another three-part *Ruth Rendell Mystery* which, although at first it brought to mind whole lists of similarly well crafted mysteries by Christie and P.D.James that have also been filmed on beautiful locations and employed fine British casts, did, after 30 minutes or so, capture the imagination. It did so with its concentration on the domestic difficulties not of the child victim or the grieving mother, but of the policeman.

It is still true, as last week's column lamented, that this season has not produced a *Fawlty Towers*, an Attenborough nature series, or (so far) a Dennis Potter drama. But then contemporary theatre is not seething with Oscar Wildes, nor the cinema with the likes of John Sturges, and it is a long time since Britain produced an artist to measure up to Turner.

Christopher Dunkley

Shadowlands

QUEENS THEATRE

William Nicholson's study of the late emotional blossoming of C.S. Lewis, and his unlikely marriage to an American divorcee, was reportedly moving in its original television form with Joss Ackland and Claire Bloom. Translated to the stage in a beautifully smooth production with a pair of strenuously ingratiating players, it comes over at best as a civilised evening's entertainment, at worst as a stagey lightweight aspiring to intellectual and spiritual *gravitas*.

The split is epitomised by Nigel Hawthorne's performance as C.S. Lewis. A bantamweight if there ever was one, Mr Hawthorne opens the proceedings by bounding before the beautiful astragalled screen, a Japanese wall-cum-vast window, that fronts the stage to deliver in cheerful, man-to-man tones a lecture on "pain, love and suffering".

He comes perilously near Alan Bennett's housemaster giving a pi-jaw; then settles for generalised donnishness except when he is playing Sir Michael Hordern.

Lewis may have adopted a J.B. Priestley common-man approach in his books and talks on ethics and religion (his *Screwtape Letters* on the nature of evil was an improbable best-seller), but there was no doubt as to his intellectual prowess: a passionate devotee of Renaissance literature and convinced Christian, he was even approached by the BBC for a series of talks on right and wrong. These were a popular success. Today Jimmy Young and Gloria Hunniford are deemed caviare for the general.

Joy Davidman, Christian Jewish ex-Leftie poet, wrote to Lewis as an American fan; met him on a trip to England; after a divorce from an unfaithful and violent alcoholic returned to stay; and married Lewis "technically", as he reassuringly defined it, for British citizenship.

They kept separate establishments, and it was only after she was stricken with bone cancer that he realised his love for her. A period of brief fragile bliss ensued for the 58-year-old Oxford academic before his wife's death.

The play describes but does not illustrate. We never know why this humbling bachelor falls in love, if not through pity; and Joy herself remains a monochrome figure despite Jane Lapotaire's grimly determined charm.

That there was more to the character than a fixed brave smile and rueful wisecracks is finally hinted at in the ambivalent attitudes of High Table ("I'm damned if I'm going to start liking her just because she's dead"); but she is allowed only the most unexceptionable aggressiveness (on egalitarianism, educational opportunities, English stuffiness) – nothing to ruffle the blandness of a six-Kleenex weepie.

The actress gives no sign of how intelligent we are meant to assume Joy was; but gets a consistent accent, unlike Mr Hawthorne who overdoes the Oxford tones ("Shall we treat ourselves to a kebab?")

Elijah Moshinsky produces fluently on Mark Thompson's spare set: behind the screen the framework of a cube with receding perspective serves as study, home or hospital, ravishingly lit by Brian Harris, and dominated by an upstage wardrobe. This opens on magical occasions to reveal the milky moonlight and delicate peaks of Narnia, that enchanted country Lewis created for children.

The Senior Common Room is well portrayed, without exaggeration; indeed, all the small parts are excellently done. Originating at the Theatre Royal, Plymouth, this is the sort of intelligent theatre that is becoming a rarely sighted species in the West End. For all its ultimate evasiveness, it deserves to flourish.

Martin Hoyle


Nigel Hawthorne and Jane Lapotaire

BBC Symphony

Festival Hall

As the BBC Symphony's principal guest conductor, Lothar Zagrosek is giving excellent value. Less than two weeks ago, he tackled the Ninth Symphony of Mahler; on Saturday – again with a Mozart concerto as preface – he essayed Bruckner's Sixth, arguably the toughest nut in the mature Bruckner canon.

It was gratifying to find oneself among a larger audience in the hall than the BBC often draws; there seems to be a method in the new policy of relaying certain concerts only later, like these two, instead of broadcasting them live.

In Bruckner's opening Maestoso, Zagrosek gave immediate notice that this was not to be an old-style, plush-and-mahogany performance. Not only was the tempo bristlingly alert – I had never imagined it could be moved along so fast, and the orchestra sounded surprised, too – but he encouraged pointed, astringent brass playing a world away from Viennese opulence.

The brusque turns in Bruckner's symphonic thought were sharpened instead of smoothed. The result gripped and challenged one's attention, declining the lofty distance that many conductors think appropriate (and maybe prudent) for this elaborate construction.

The harshness in the Maestoso melted with the Adagio, where at last the strings could make themselves felt – very beautifully, for example, in the E major cluster of themes. Coolly and thoughtfully shaped, the movement deserved some further breadth, but Zagrosek's fine shadings suggested the proper depth.

The Scherzo was masterly, much of it rendered in tense *mezza voce*, and its real strangeness made quite clear. Robert Simpson's rewarding programme note remarked that the "Schattenhaft" movement of Mahler's Seventh is often traced back to this music; the performance here suggested a stronger link to Mahler's threatening Scherzo in his Sixth (in the same key, too).

The Finale, energetically addressed, left a less-than-conclusive impression at the end; probably Zagrosek needs more performances to bring it into perfect focus. This one was sufficiently rewarding, in any case.

The prefatory Mozart was the D minor Piano Concerto, K. 466, which the conductor introduced with the ideal harried pianissimo, and Emanuel Ax played with manly sensitivity. He allowed that the piano does occasionally have an accompanying role, to the great musical benefit of those passages, and in the Romance he offered a singing line of high distinction. But I wanted a more articulate Rondo: presumably by intention, Ax softened his finger-attack to the point where the dangerous glint in the music became tame and friendly.

David Murray

More Ligeti

FESTIVAL HALL

The second concert of the South Bank's bracing "Ligeti by Ligeti" festival again featured Esa-Pekka Salonen conducting the Philharmonia. The Philharmonia and London Sinfonietta Choruses were on hand again too, this time with more to do than Stravinsky required of them last Thursday – for the main work at Monday's concert was Ligeti's big Requiem from 1965.

Evidently the chorus director, Terry Edwards, had prepared the size of his combined forces, and the complexity of Ligeti's writing – as many as 20 distinct parts in the "Kyrie"! – they seemed unshakeably secure, lucid and well-tuned in everything from suppressed moans to minatory fortissimo. Ligeti deploys the traditional text most unconventionally, except for making the "Dies Irae" as usual the weightiest section. After the slow windings and shudderings of the "Introitus" and "Kyrie", in which we are surely hearing the voices of the damned or at least of terrified crowds in Limbo, his "Dies Irae" is a torrential sequence of Bosch-like visions, in which Salonen's sense of dramatic timing was unerring.

The soloists were the soprano Sarah Leonard, whose expertise in recent music is well known, and the mezzo Anne Howells, who ventures less often into this repertoire but was here superbly confident and effective. They combined most delicately for the fragile, hopeful "Lacrimosa" at the end. Altogether it was the kind of performance that justifies a festival.

It was preceded by Ligeti's earlier orchestral *Apparitions*, interesting now chiefly for its bag of characteristic tricks, though its proportions are characteristically elegant too; and by his *San Francisco Polyphony* of 1974, a dense, brilliantly tough score which discloses new musical layers at every hearing. Again Salonen drew us into it with energetic sympathy. Ideally I should have liked its close still more abrupt (like a throat swiftly cut, the composer once suggested), but the whole account tingled. There was less to say for Stravinsky's *Monumentum per Gesualdo* transcriptions at the start of the concert, minor chips from the workbench which were useful only for letting the players warm up.

David Murray

Moscow Symphony Orchestra

BARBICAN HALL

The Moscow Symphony Orchestra paid a visit to London on Monday night as part of the Barbican Hall's Great Orchestras of the World series. The conductor was Gennadi Rozhdestvensky, for whom the orchestra was specially created by the Soviet Ministry of Culture in 1981. The soloist in Chaikovsky's second piano concerto was Rozdestvensky's wife, Victoria Postnikova.

This work is as oddly unappealing as Chaikovsky's first concerto is frankly effusive with its charms. The first movement is vastly distended and overblown, and the Andante second movement, with its extensive violin and cello *obbligati*, runs its close for ponderousness and discursiveness. The third movement, a crisp scherzando-like rondo with a suggestion of Glazunov about it, is the most attractive; though, attractiveness apart, the whole work is impressive up to a point just for the lumbering originality of its design.

Monday night's performers did everything possible to win the audience over to the work. The orchestral playing had superb discipline and style – cutting, weighty string ensemble, brilliantly focused and unanimous winds; and Ms Postnikova impressed from her first notes as a pianist with a big sound and big technique, and as a near-ideal Chaikovskian in point of style and feeling.

After the interval we heard an immensely distinguished performance of Shostakovich's tenth symphony, the work with a recording of which the orchestra made its debut. This is an enigmatic essay written just after Stalin's death and, according to the composer, containing in its scherzo second movement a portrait of the dictator himself. The opening movement, a long, impassioned Moderato built on a six-note theme, was unfolded with extraordinary precision and tonal incandescence under Rozhdestvensky's direction. The scherzo erupted with a terrifying blast, and was over in a trice. The Allegretto, with its quizzical repeated horn calls and autobiographical arcana, was made properly ambiguous and wry: the summarising phrases on solo violin at the end were notably pinched, or, to use Beethoven's word, *Beklemmt*; the flute and piccolo notes following them were spat out. The finale, ironic though it may be, was played with massive exuberance.

Paul Driver

ARTS GUIDE

October 20-26

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951.)

The Tempest (Barbican). John Wood's other great performance this season with the RSC is his Prospero in Nicholas Hytner's production, a towering, intemperate impresario whose magic is an instrument of both revenge and resolution. (638 8891) Oct 30, 31.

Veterans Day (Haymarket). Imperfect Donald Freed nationalist paranoia play about three veterans gathered to bump off the President partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack Lemmon (930 9832).

M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of syberitic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of e three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

A Few Good Men (Eisenhower). One of the few new, contemporary dramas headed for Broadway gets its world premiere in Washington, in this story of a military cover-up. Ends Oct 29. (467 4600)

Chicago

The Misanthrope (Goodman). The first production of the season exchanges Moliere's France for contemporary Hollywood in a new adaptation by Neil Bartlett, directed by Robert Falls with David Darlow playing Alceste. Ends Nov 4 (443 3800).

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Tokyo

Kabuki. Performances at Kabuki-za (541 3131) are at 11am and 4.30pm. The star of the evening show is the prodigious Ennosuke Ichikawa, fresh from a successful season in New York, in a triple-bill designed to display his multifarious talent. (ends Oct 26). At the National Theatre (265 7411) performances on most days are at 1pm, and among the performers is Living National treasure Utaemon Nakamura, one of the great exponents of the art of the Onnagata (ends Oct 28). Both theatres have useful English programmes and earphone commentary.

SALEROOM

Miniatures in demand

Christie's set an auction record for an English miniature late on Monday when a portrait by Nicholas Hilliard, probably of George Clifford, 3rd Earl of Cumberland, sold for £79,200. Hilliard, the unrivalled master among limners, painted it in 1614, and it depicts a nobleman in ornate glory. The only higher price ever paid for a miniature was two years ago when two avid US collectors chased each other up to over £300,000 for a miniature of George Washington.

In the same Monday enction, a rare and early miniature of King Edward VI, painted around 1550, possibly by William Scrots, the King's painter, also did well at £44,000. Leggats, bidding on behalf of the National Maritime Museum, paid £5,500 for a miniature by John Smart of Captain Sir William Fairfax, one from a series of 18 of the heroes of the battle of Camperdown in 1797.

At Sotheby's yesterday, six silver gilt cups with their covers and stands, made in London in the 1690s, sold for £198,000 to the dealer Koopman. Their maker is not identifiable, but they belonged to the Crewe family for centuries. The price was below estimate.

A rare English wager cup of 1665 sold for £38,500 to a US dealer. Also known as a marriage cup, it consists of the figure of a maid holding up a small drinking vessel. Only six similar examples are known, and this seems to be the earliest.

Christie's sold Irish pictures in Dublin on Monday night for £437,140. "Donegal Bogland", by Paul Henry, went for £39,140, double its estimate, and the Oriel Gallery paid £31,430 for "Feeding the chickens", by Frank McKelvey.

On Cheltenham racecourse, Christie's Sonth Kensington continued to sell off the accumulated stock, covering 10,000 items, of the late local antique dealer Ronald Summerfield. Top price to date is the £17,050 paid yesterday for a patinated bronze and ivory group of a young man and woman in clowns' costumes, cast and carved from a model by Chiparus. It was originally estimated at £4,000, but this was revised to £10,000.

Obviously in the excitement of looking through all these antiques, many of which had never been unwrapped after purchase, (so eccentric was Summerfield as a dealer) Christie's experts undervalued his commercial eye.

In the morning session, £3,520 was paid for a bronze group of a semi-naked man, woman and child, which had carried a top estimate of £800, and £3,000 for an ebonised and Viennese enamel table cabinet (top estimate £800).

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The folly of shorter hours

YESTERDAY BROUGHT the CBI's warning of an impending decline in UK manufacturing investment and orders; it also brought news that the deficit on trade in manufactures had reached £15bn in the first nine months of 1989 alone. These figures should provide an arresting warning to engineering unions planning strikes next week at Rolls-Royce and British Aerospace plants in their campaign to win a shorter working week.

Britain's manufacturing industry is still in a delicate state. There is likely to be a sustained squeeze on profitability next year. If it is exacerbated by an unnecessary and ill-timed increase in labour costs, the modernisation of industry set in train in the mid-1980s could be brought to a premature end. *Getting companies through a period of slower growth with as little damage as possible should be* at the top of the trade union agenda. *It* cannot be a national reduction in working hours.

Productivity growth

The engineering unions are not only aiming for wage rises of more than 9 per cent in most manufacturing companies but also want a phased cut in the working week from 39 hours to 35. These demands reflect the strong growth of profitability and productivity in the last few years. Mr Bill Jordan, the AEU engineering union's president who is leading the campaign, also argues that a permanent improvement in productivity should be matched by a permanent reward. Unhappily, the unions seem to have accepted the Government's propaganda that industry has not merely experienced a recovery, which it has, but that it is now in world-beating form, which it is not.

The revitalisation of British industry is only half complete. The external deficit, which the unions vehemently attack, will only be closed if manufactur*ing sustains strong growth*, despite sluggish domestic demand. Investment must continue to grow. Improvements in corporate profitability do provide companies with more of a cushion than they enjoyed in the late 1970s. Yet that prof*itability* still leaves British industry well down in the international league.

Productivity growth has also been significantly higher than the 1970s, but it is already tailing off. Meanwhile, investment in manufacturing has merely recovered from *its low levels* in the early 1980s and is no higher than it was for much of the 1970s. The CBI's finding that investment plans are at their weakest since early 1983 is particularly worrying. Concession to *the* unions' claim could not merely tip manufacturing into recession but cause more far-reaching damage to long-term performance.

The unions argue that British workers have not been rewarded for higher productivity, but UK real wages have, in *fact, risen faster* than wages in competitor countries. Nor is a shorter working week likely to *lead to any significant increase* in employment. An agreement to shorten the number of hours workers work for basic pay, may, *instead*, merely increase the number of hours worked at higher overtime rates.

The agenda for unions and managers should be about much more than a simple cut in the working week. It should also be about the introduction of greater flexibility and the need to use expensive capital equipment more intensively through continuous production.

Fruitless talks

It is a severe indictment of national collective bargaining that after five years of fruitless talks between the Engineering Employers Federation and the Confederation of Shipbuilding and Engineering Unions, the dispute has reached the point of potentially costly strikes at two of Britain's leading companies. The lesson of this failure is that bargaining over working hours should be decentralised.

Above all, the unions should recognise the long-term interest of their members in the health of the companies that *employ them*, a point that would not even have to be made in most other industrial countries. Now is the worst possible time to put any additional squeeze on profits. On the contrary, this national crusade needs to be called off before the damage becomes irreparable.

Time to free trade in textiles

THE SILBERSTON Report on the implications for Britain of an international agreement to eliminate import restraints on textiles and clothing is timely. Textiles and clothing are a central segment of the Uruguay Round of multilateral trade negotiations, because this is one of the areas where developing countries hope for significant liberalisation. Furthermore, all participants know that only in the context of global trade negotiations is liberalisation in this area of world trade even conceivable.

Professor Silberston's research, *sponsored* for a second time by the Department of Trade and Industry, is directly designed to help formulate European Community policy in this area. The EC must take the lead, because textile trade is a subject on which the US is inhibited by domestic political constraints from playing its usual role.

But even the DTI can only push from behind. Like its counterparts *elsewhere in the* Community, it no longer makes trade policy, but only influences it. By letting a bit of glasnost into this murky corner of world trade, the DTI has chosen the best possible way to bring its influence to bear in Brussels.

National quotas

The report's main contribution is its stress on the benefits of liberalisation to consumers. It provides a welcome counterweight to the strongly protectionist views of the Portuguese and Italian textile industries at *a time* when *decisions are* looming, not only in regard to the Uruguay Round but also in connection with the Single Market. After 1992, national quotas of the type established *under the Multi-Fibre Arrangement* (MFA), which has governed international trade in textiles and clothing since 1974, will no longer be workable inside what everyone hopes will be *a frontier-free* Europe.

The report argues that the MFA could be phased out with only a relatively small impact on employment in this sector and that consumers would benefit to the tune of £980m per annum. The Uruguay Round creates a unique window of opportunity to achieve this objective, it suggests, but the phase-out should be gradual and accompanied by a strengthening of rules within the General Agreement on Tariffs and Trade to ensure fair play all round.

The conclusion may be open to challenge. The Apparel, Knitting and Textiles Alliance has, for example, already denounced as a serious underestimate the report's assertion that phasing out the MFA would lead to the loss of only 33,000 jobs in the UK textiles and clothing industry. Yet the basic drift of the argument is right. *It also* supports the broadly liberal line taken by the European Community this summer in its submission to the Uruguay Round negotiating group on textiles.

Political realism

None the less, the present EC approach has dangers. First, it demands liberal market access in richer developing *countries and inhibitions* on their right to derogate from Gatt rules for balance of payments and infant industry reasons. While understandable, these demands may be politically unrealistic and so doom the whole exercise to failure. Secondly, legalisation of discriminatory measures of safeguard protection as well as easier protection against alleged dumping and subsidisation may lead to an extension of discriminatory arrangements to other products within the Gatt framework.

Diluting the Gatt in this way would be too high a price to *pay for bringing trade* in textiles within it. It may be unreasonable to expect importing countries to agree to a phase-out of the MFA without a compensating increase in trade remedies under the Gatt, but the EC should not seek to do so just to appease its membership in southern Europe. It would be better to compensate those countries financially with *regional funds* for structural adjustment.

It is only if they face pressure from consumers that negotiators will be able to follow this route. Consumers *should seize on Professor Silberston's* report and demand that their interests, ignored for so many years, be taken into account.

Quentin Peel on Gorbachev's situation as perestroika runs into difficulty

The Great Reformer marks time

When President Mikhail Gorbachev flew back to Moscow from East Berlin this month, he was greeted at the airport by no less than 19 members of the Politburo and secretaries of the Communist Party Central Committee.

It was a turnout worthy of the good old "era of stagnation" under Mr Leonid Brezhnev. To Soviet television viewers, it was a vivid reminder that perhaps not as much has changed at the top as they once thought.

No such publicity was given to Mr Gorbachev's meeting 10 days ago with all the leading newspaper editors. Yet the event was so traumatic that a dozen unofficial accounts have leaked out.

Gone was the old informal style of previous encounters, when the barons of the press gathered round to debate the pros and cons of the reform process. Instead Mr Gorbachev marched in with almost the entire Politburo in tow, read the Riot Act to the editors for irresponsible reporting on the ills of perestroika, and left them too stunned to respond.

He demanded that the editor of Argumenti i Fakti, with almost 26m readers, should quit, after publishing a popularity poll from which the President's own position had been dropped – *because he was shown to be too unpopular*.

Then there was President Gorbachev in the Supreme Soviet, backing a call for a nationwide ban on strikes, just when the new parliament was trying to work out a way of legalising them. He also gave his blessing to similar restrictions on the fledgling co-operative movement, banning the new semi-private sector – once seen as the great hope of perestroika – from getting involved in simple retail distribution. Such business was condemned as "speculation."

What has happened to the Great Reformer? Has he changed his spots? Has the Soviet leader had second thoughts, with his economic reforms *floundering, popular discontent* rising, and aggressive nationalism attempting to unbind the ties of the Soviet empire?

Nothing is ever so simple. Against the evidence suggesting a Gorbachev retreat, one can also put forward hard facts to support his continued commitment to reform. In September he finally persuaded the Central Committee to remove two leading conservatives, and another makeweight, from the Politburo: out went Mr Viktor Chebrikov, ex-chief of the KGB, and Mr Vladimir Shcherbitsky, hard-line party boss in the Ukraine republic. Mr Gorbachev replaced them, if not with radical reformers, then at least with pragmatic technocrats.

President Mikhail Gorbachev in communicative mood with the press during his recent visit to East Berlin

Gorbachev read the Riot Act to editors for irresponsible reporting and left them too stunned to respond

In East Berlin, where he went to celebrate the 40th anniversary of Communist Party rule, he made no secret of his belief in the need for change – clearing the way for Mr Erich Honecker's departure last week.

And within days of his assault on the reformist Soviet press, the Soviet President had engineered the removal of the conservative editor of Pravda, the Communist Party newspaper, but failed to do the same with Mr Vladislav Starkov of Argumenti i Fakti, who is still refusing to depart.

The question is rather whether Mr Gorbachev has done a deal with the conservative forces in the party. Did he get rid of the most glaring opponents of change – with the notable exception of Mr Yegor Ligachev, who makes no secret of his differing views – only in exchange for a clear pause, if not a retreat, on domestic reform? Or are all his gestures to reassure the conservatives more apparent than real, the sleight-of-hand of a master tactician?

There is no doubt that the Soviet leader is a brilliant short-term operator, and proud of it. He makes a virtue of necessity.

"Radicalist demands that the party should have a detailed plan for the future are unjustified," he told Mr Mieczyslaw Rakowski, the Polish Communist Party leader, in Moscow two weeks ago. "This would mean only a futile attempt to drive the movement of life into an office scheme again.

"Specific decisions must be based on an analysis of the rapidly changing situation, and on due account primarily of the requirements and aspirations of the broad masses."

Of course Mr Gorbachev does not rule out the need for a "well thought out long-term strategy" for the ruling party, but the reality is that the "requirements and aspirations of the broad masses" in the Soviet Union, after years of being ignored, have now become all-devouring. The short-term problems are starting to overwhelm any remaining perception of where the long-term strategy is going.

The lack of economic results is paramount. Attempts to liberalise the ossified central planning process and encourage local decision-making at factory level have so far failed to produce any significant results – apart from rising prices and wages.

"Take a shoe factory, which for years has been able to sell 100 per cent of its output on state orders from the centre," according to a middle-ranking Soviet planning official. "It never mattered what the quality was like because sales were guaranteed.

"Now the same factory is being told it has to find its own buyers for 75 per cent of its output. But nobody wants to buy poor quality shoes. It will take years to improve that. So the factory itself has no incentive to control its own sales – and conspires with the officials at the centre to stay in the same old system of central control."

Indeed, the only enterprises actively fighting for more local control are those which believe – realistically or not – that they have a product which can be sold for hard currency on the world market. "They don't want to buy better machinery, either," the planner says. "They just want hard currency to buy more consumer goods for the local market." That is precisely the position of the Soviet coal miners, who went on strike in the summer.

In real terms, production levels are falling in many key sectors of the economy. Oil and gas output, critical for Soviet export earnings as well as the domestic economy, was running 10.5m tonnes below the same period of 1988 during the first eight months of the year. One cause was bureaucratic upheaval – the forced amalgamation of two ministries – and another was the failure to deliver new equipment.

The same story is true of coal-mining, with the added complication of the miners' strike in July and August. Dislocation on the railways, aggravated by go-slows and stoppages, has left huge stockpiles of coal at the pitheads.

Key industries which once enjoyed absolute priority for their supplies are now being forced to take second place to consumer goods production – but the latter is only sluggishly responding. Instead of consumer output growing by the planned 10 per cent, the annual rate of increase in the first nine months was only 5.7 per cent, according to the official statistics. Within that figure, a planned 11 per cent increase in food products came out as only 3.2 per cent.

Overall, national income increased by 2.4 per cent, productivity by 2.2 per cent, and money incomes rose by 12.2 per cent. Mr Gorbachev faces a classic dilemma of rising expectations and rising incomes meeting stagnating production.

His strike ban, which was eventually approved for key industries, rather than the whole economy, could well prove counter-productive, if industrial unrest continues regardless of the law. In September, 2.3m working days were lost. The ban may have had a brief effect, but this week coal miners in Mezhdurechensk – the west Siberian starting point for the miners' strike – stopped again for two hours, and today in Vorkuta, northern Siberia, they are threatening to do the same.

Meanwhile, the official press is full of gloom-laden warnings about prospects of power cuts and fuel shortages during the bitter winter weather – a prospect which could make popular protests at price rises and shortages of consumer goods seem like a picnic.

Behind the flagging levels of industrial production is another, potentially even more intractable problem: a collapsing infrastructure. The distribution system is in disarray, including not just road and rail transport, but oil and gas pipelines. The ban on co-operative retail distribution would appear to fly in the face of necessity. "If they can get goods on to the streets, then let them," would have seemed the more logical response.

When Mr Gorbachev lambasted the press, a big part of his criticism was that they were exaggerating the problems. "Reading the press, you get the feeling that you are standing knee-deep in petrol. The only thing lacking is the spark," was how Mr Yegor Yakovlev, the editor of Moscow News, quoted him.

Yet frequently it is the authorities themselves, not the press, who are the source of the irresponsibility. For example, the KGB has put out press releases publicising bomb hoaxes. And the Ministry of the Interior has published alarming statistics for the rise in crime, based on a comparison with old statistics, which were notorious for understating the real crime rate, and new ones, which are more honest and therefore much higher.

Mr Gorbachev is caught between a conservative bureaucracy which will delight in bearing ill-tidings, and a reality which gives very little to cheer about.

The other main area of disastrous news is coming from the ruling party itself. A new round of elections – at the level of both local councils and the *republican parliaments* – will be held between December and next March. Local party organisations are convinced that they will do badly, against opponents from the new informal movements, popular fronts, greens and the like.

Can Mr Gorbachev risk a humiliating result for the party at the polls? So far he has relied on increasingly urgent exhortation to his supporters to put their house in order, and get out in *the streets to compete with*, or join, the "informals."

In the provincial city of Yaroslavl, 250 kilometres north of Moscow, for example, the local party organisation first tried confrontation with the Popular Front. The result was resounding victory for the front's candidate in a second round of elections last March.

Then the party tried co-option, sending its representatives to speak at front rallies and to participate in debates. They were barely given a hearing, according to local activists.

"Now they are trying to encourage their own tame unofficial movements," says Mr Yevgeny Kovalyev, a local journalist.

The trouble is that the party's unofficial organisations, like the United Front of Workers of Russia, are proving to be extremely conservative: demanding a price freeze, a ban on co-operatives, and the like.

It took a forthright speech by Dr Leonid Abalkin, the deputy Prime Minister in charge of economic reform, and the leading economist in government ranks, to head off proposals for a price freeze in the Supreme Soviet this month. He argued that there was a clear choice between continuing economic reform, which meant a degree of price freedom, or abandoning the reform process with a prize freeze. Prohibitive measures would not stop inflation, but simply force it more into the black economy.

"*The problem is that the instinctive* reaction of the authorities, including apparently Mr Gorbachev, to any crisis is to reimpose controls," says one western observer. "That is also a reaction that the man-in-the-street understands. But that sort of reaction could undermine the whole reform process, not simply delay it."

The question now is how much longer Mr Gorbachev can rely on his consummate manoeuvring skills to maintain his own position in the party, and in the popular perception, without having a clearer view of where he is going.

'We may have suffered under Stalin but at least we had something to believe in. We were building socialism'

"Under Stalin we may have suffered, but at least we had something to believe in. We were building socialism," is a typical Soviet comment. Mr Ligachev understands that sort of feeling.

"Many people talk nowadays about the so-called era of stagnation," he told Young Communists in Kirgizia last month. "But did we really stagnate, comrades? We built socialism during those years."

Somehow Mr Gorbachev has got to offer a better alternative.

OBSERVER

German lessons

■ The Conference of I G Metall, West Germany's and Europe's largest union, which opened in Berlin this week, is a much more harmonious affair than the annual conferences of *Britain's TUC. Consensus* politics, rather than Government-bashing, is very much the order of the day.

The opening ceremony attracted senior politicians from all parties, including the Christian Democrats, who were all politely applauded by the 550 delegates. And Mr Richard von Weizsäcker, the Federal President, playing his usual part of the liberal headmaster out of a *Lindsay Anderson* film, gave the keynote address extolling the EC's Social Charter and swiping at Mrs Thatcher's brand of conservatism. Despite the fact that the opening produced no real news it was lead item on both of the main early evening news broadcasts.

The occasion, like the union, is modern, well run and self-confident. And, in shocking contrast to Britain's TUC Congresses, it is almost entirely free of alcohol. The Congress hall, in further contrast, remains full of attentive delegates who don't drown out speakers with their chatter. About the only thing it does have in common with a TUC Congress is the presence of Mr Ken Gill, Britain's senior Communist trade union official, with his famous sketchbook.

A little PR

■ It is always hard to take the public relations business seriously, especially since no one has any idea how big it is and whether it will evaporate at the first hint of a real recession. Yesterday Shandwick, which has 84 subsidiaries, 2000 staff, 5000 clients, and claims the title of the world's biggest, came up with a conservative estimate of £2.5bn for the size of the worldwids industry. This is well below the £4bn to £6bn estimate in its last annual report and a fraction of the $16.8bn *estimate* of WPP, which owns one of Shandwick's biggest rivals, Hill & Knowlton.

With estimates like these, it is impossible to know whether this really is a healthy, long-term growth industry. Shandwick has a vested interest in believing that it is. It has stayed firmly in public relations and not wandered off into dangerous areas *like proxy solicitation*. PR may be just a cheap form of advertising, but the real test will come in the next recession. The idea that clients will not chop back their PR budgets because the sums are relatively small is just the sort of PR handout which may well not stand the test of time.

Transfer lists

■ At dinner with a gaggle of Italian industrialists the other day, my roving reporter was irritated to find his hosts wanted to speak only – and mighty highly – of the wondrous Margaret Thatcher. "We will give you two Andreottis and Craxi if you give us Mrs Thatcher," enthused one.

If they threw in Agnelli, my man suggested, they could have Nigel Lawson as well.

"I beg your pardon, who is this?" came the reply.

Own goal

■ Mr Robert Maxwell's recently acquired taste for investments in Israel - he now owns significant shareholdings in computer graphics company Scitex, Teva Pharmaceuticals and the daily newspaper Maariv - seems to have made him the first person that comes

"One child benefit on the rocks, please"

to mind when Israelis want a bit of money for their business.

The latest story doing the rounds is that Mr Maxwell is about to spend up to two million dollars buying a stake in the Betar Jerusalem football club, Israel's cup winners last season. What adds spice to the notion is that Betar - which happens to have heavy debts - is controlled by the right-wing Likud Party of Mr Yitzhak Shamir, the pugnacious prime minister. Like most other activities in Israel, football is dominated by politics, with teams run by rival parties.

Mr Mosha Dadash, chairman of Betar, says Mr Maxwell had been approached on the matter by Mr Ehud Olmert, a Likud cabinet minister who apparently has warm links with the British publisher. The idea is to inject a dose of pure footballing professionalism into the Israeli game. "Mr Maxwell has two *football teams in* Britain (one of which is owned by his son). We think he's the man who can help us," said Mr Dadash.

The Betar camp have given the impression that negotiations are underway. Mr Maxwell's lawyers in Tel Aviv, however, give a different impression. He is not about to buy Betar, they say firmly. Shame.

Practice drill

■ As the man in charge of regulating the world's most volatile stock market, Robert Owen, the new chairman of Hong Kong's Securities and Futures Commission (SFC) did not feel impelled to rush back to Hong Kong when the world's stock markets started to quake on Friday 13. He was standing in the Chicago trading pits with Leo Melamed, *the grandfather of the the* financial futures markets, and watched with detached interest as the markets' shock absorbers tried to control the avalanche of selling. He had seen much worse.

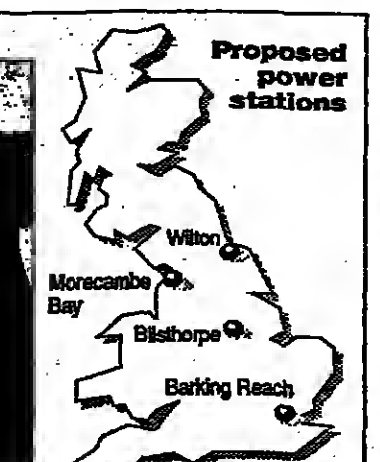
"We had our real excitement back in the summer when the tanks rolled into Tiananmen square and the local index fell by more than a third", says Owen, an ex-London merchant banker, who was in London yesterday to chat with various regulators. A couple of years ago Hong Kong disgraced itself by closing its stock market after the global market crash, but as long as Owen is in power the Colony is not going to make the same mistake again.

"We have had plenty of practice drills since then", he says. However, even he is conscious that he is not the most popular official in Hong Kong at the moment. The Colony has long flourished on the back of lax regulations and the influx of a new breed of foreign regulators, like Owen, plus the substantial extra costs this entails, is causing considerable local anguish.

"If everyone was saying I was doing a great job, I would be very worried", says Owen.

William Hall

Maurice Samuelson reports on fading prospects for independent power generators



When the spark loses its glow

Last week, a consortium led by ICI announced a study of what could be Britain's biggest independent power station. The very next day, a delegation of private electricity suppliers told Mr John Wakeham, Energy Secretary, that they saw little scope for early competition in the brave new electricity market due to be launched next Spring.

The two events reflect the uncertainty surrounding a score of new power projects tabled by private developers since the Government first outlined privatisation plans early last year.

The study was announced by a consortium made up of ICI, Enron, the US utility, and National Power. It concerns a 1,500MW gas-fired plant, at ICI's large coastal site at Wilton on Teeside, which would be designed and built by Enron and owned by a company in which ICI was the major partner. Fuelled through a specially built North Sea pipeline, it would cost about £1bn. It would supply Wilton's steam and power needs and generate surplus electricity to be transmitted through the national grid and sold on the wider market.

But although it was by far the largest independent station yet mooted, it aroused little public excitement. ICI, wary of the initial limits on competition within the electricity market, would only reluctantly confirm the Wilton plan. The company stressed that it was not yet a live project, but the subject of a feasibility study, the outcome of which depended on many factors.

In contrast, many of the earlier schemes – such as a 340MW plant proposed for Peterborough by the Eastern Electricity Board and Hawker-Siddeley or a 120MW-240MW plant proposed by British Sugar and Yorkshire Electricity at the Brigg sugar refinery – aroused unrestrained excitement from manufacturers of generating equipment. They had been long starved of orders by the protracted blight on new power station construction. Most projects had eager partners in the area electricity boards of England and Wales, waiting to market their own electricity instead of merely distributing supplies from the Central Electricity Generating Board as they have done for the past 40 years.

Representing a range of new combustion methods, the potential newcomers are not only far smaller than the average CEGB plant (most of them fall between 120MW and 500MW), but they are more efficient and far superior in terms of environmental impact. They can also be built in a fraction of the time (2-3 years compared to about seven).

Many of the proposed stations incorporate combined-cycle turbines, which use exhaust gases to generate extra power. Most would run on natural gas, though the technology is also suitable for coal-fired stations such as that proposed at Bilsthorpe colliery, Nottinghamshire by British Coal and the East Midlands Electricity Board.

The highest efficiencies are claimed for the co-generation, or combined heat and power (CHP) projects, such as the British Sugar/Yorkshire Electricity scheme. These sell steam to enterprises which need it for industrial processes, such as brewing or food processing. Conventional stations discharge their heat wastefully into the atmosphere.

Despite such advantages, most new schemes are condemned to remain on the drawing board until real competition in electricity supply, emerges. Only a handful are likely to be up and running by the end of the century.

Nor is it clear whether these will be genuinely independent or whether they will be developed in joint ventures with area boards, or in conjunction with the CEGB's daughter companies, National Power and PowerGen, which currently have plans for 5,000MW of new gas-fired capacity.

Thames Power – a consortium of BICC, the electrical equipment maker, Taylor Woodrow, the civil engineering group, and Schroders merchant bank – fears that independent schemes, such as its proposed 1,000MW gas-burner at Barking Reach, could be pre-empted by the amount of potential new capacity proposed by the National Power and PowerGen.

When the Association of Independent Electricity Producers called on Mr Wakeham last week, it asked him, among other things, to order a moratorium on new construction projects by the big two generators as well as a re-distribution of their undeveloped sites, a request which he is still considering. They have yet to be impressed by his repeated assurances that 30 per cent of the market will be open to competition in supply from day one and that there will be total competition after eight years.

The basic conditions needed for all new power stations are an assured outlet for their electricity and a long-term secure source of fuel.

So far, only one long-term order for electricity had been placed with a new generator. This was the 15 year contract under which Lakeland Power, owned 80 per cent by Asea Brown Boveri, the Swedish-Swiss machinery group, would supply seven per cent of the requirements of the North Western Electricity Board from a 220MW-capacity station on the site of a former coal-fired station at Roosecote, near Barrow in Furness.

For the most part, however, the prospects for independents cannot be fully established until the main contracts, between the big generators and the distributors, have been concluded, possibly early in the new year. Then there will be a better picture of the price at which the independents will have to offer their electricity to make it attractive to the area boards. Despite the broad outline announced this month by the Energy Secretary, important related issues remain to be settled, such as the big generators' fuel costs and the charges for use of the transmission system.

The commercial need for a convenient fuel supply favours concerns which are adjacent to their own fuel stock – coal mines, oil refineries or gas fields. This is particularly true of gas consumers, since they thereby avoid paying British Gas transmission costs for the use of its pipelines. The Wilton plant would be supplied through its own pipeline from a dedicated gas field, and Lakeland Power's site is only a mile from British Gas's Morecambe Bay terminal.

Until recently, obtaining a gas contract was regarded as harder to obtain than a customer for the electricity because of British Gas's traditional aversion to the use of its "noble fuel" to manufacture a rival form of energy.

But the balance of difficulty now appears to be changing. Thanks to the growing availability of gas, improvements in combustion efficiency, and growing concern over the environment, the Government favours its increased use in power stations. The attitude of British Gas also appears to be changing. The prospects for gas burning power stations should become clearer shortly when British Gas publishes, in 10 days time, a schedule of prices for very large users not covered by its existing industrial price structure.

The situation has also been tilted by the Monopolies and Mergers Commission's ruling that independents should be able to buy a tenth of the output of all new North Sea gas fields, thereby ending British Gas's position as a monopoly buyer.

The change is evident in the fate of the Leicester Energy project, a 110MW gas-fired CHP station which for years had been regarded as the front-running independent power scheme in Britain. After more than two years of seemingly fruitless efforts to obtain a gas contract, the Leicester consortium is believed to have had two gas supply contracts in its grasp, including one from British Gas. During the summer, however, the project was shelved because of too much uncertainty on the part of the East Midlands Electricity Board – which was to have purchased its output – about the future price of electricity.

The disillusionment over the Leicester experience among all those hoping to land contracts to sell electricity to area boards explains the caution with which ICI last week confirmed that it, too, is contemplating the prospects for independent power production. ICI has not yet begun active negotiations with potential electricity purchasers. Its caution symbolises the way ion which electricity privatisation is moving out of the realm of theory into the more difficult realm of practice.

UK productivity

Alas, the figures show no miracles

By Simon Wren-Lewis and Julia Darby

In the 1980s one feature of UK economic performance stands out as being unusually good compared to earlier experience. Between 1979 and 1987 manufacturing productivity (including the self-employed) rose by 4.6 per cent a year on average, compared to a rate of only 2.7 per cent in the previous 8 years. These figures, quoted repeatedly by ministers, are accompanied by clear, if anecdotal, evidence of changes in working practices, management flexibility and so on. The developmente have been hailed by some as representing a transformation of the supply side of the UK economy. But just how much of this productivity renaissance is due to a new "spirit of enterprise"?

In an attempt to answer this question we looked at how much of recent productivity growth could be explained by more conventional factors. We re-estimated the equation that determines manufacturing productivity on the National Institute's domestic model using data that ended in 1979, and then saw how much of the subsequent productivity growth it could predict. The chart shows actual productivity growth and the predictions from this equation. Out of the 39 per cent total rise in productivity from the beginning of 1979 to mid-1988, it forecast over 38 per cent. This leaves only about 1 per cent left over to be explained by a supply side miracle.

What are the factors, embodied in this equation, that are able to explain so much of the productivity turnaround? Two stand out. The first is that firms, having allowed real wages to rise more rapidly in the 1980s than the 1970s, have made new investment more labour-saving than in the past. This process makes labour productivity growth a bad guide to underlying efficiency. Second, evidence from the CBI survey suggests firms held seriously over-optimistic views about future output growth in the late 1970s, and this led them to hoard labour. When this bubble of expectations burst after the 1980 recession, a shake-out occurred. This produced low productivity growth in the late 1970s, and a catching up in the 1980s, which once again had little to do with any transformation of the supply side. A similar expectations effect helps explain the shake-out of stocks that was a feature of the 1980-81 recession.

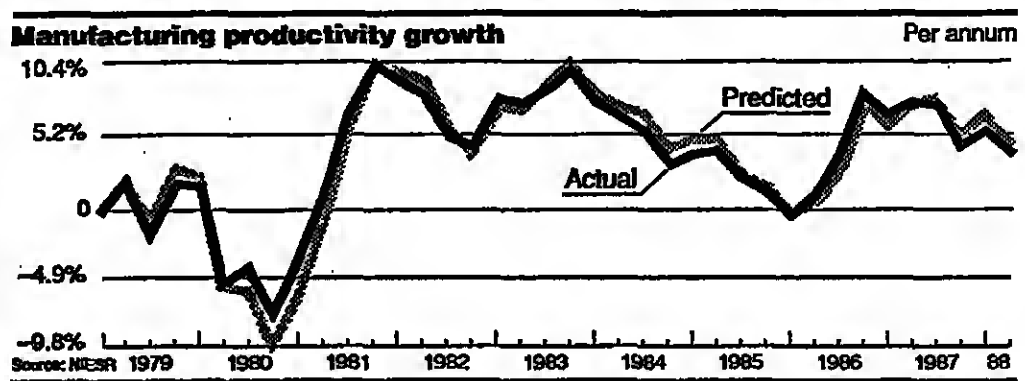
Once we "adjust" the productivity figures for these two effects and cyclical factors, the rate of improvement in underlying productivity in the 1980s does not appear to be significantly faster than in the 1960s or 1970s. This is not to deny that changes in labour legislation, management flexibility and the like have not had some effect on underlying productivity. Our results suggest that the effect is either small in itself, or that it has been counteracted by other supply side factors like low research and development expenditure or poor training.

How do we reconcile these findings with the perception of many of those in industry that important productivity gains were made through changes in working practices in the 1980s? The two views may not be inconsistent. The overmanning in the late 1970s may have been caused by over-optimistic expectations, but it may also have become embodied in inefficient working practices. Equally the shake out in the early 1980s, together with the installation of labour saving technology, may have required new flexibility by management and workers. Our work suggests these were consequences of productivity improvements, and not their fundamental cause. In particular, it suggests that productivity improvements in the 1980s represented an inevitable reversal of poor results in the 1970s, and not a shift to a new, more rapid underlying growth rate.

Explaining miracles is often unpopular, particularly among true believers, and we would not wish to add to the Institute's reputation for gloom, so we will end on a positive note. Although recent UK productivity performance may not be miraculous in itself, it is much better than in France or Germany. Our research suggests that, after allowing for cyclical factors and changes in labour costs, underlying manufacturing productivity growth in the UK in the late 1960s and early 1970s was a little less than 1 per cent a year below France and Germany, but in the 1980s it is around 1 per cent higher.

We have at last begun the process of catching up with the higher level of productivity in these two countries. However this appears to have rather more to do with problems in the performance of our competitors than any fundamental change in our own.

The authors are staff members of the National Institute of Economic and Social Research



LETTERS

Fundamental facts

From Miss Sheila Lawlor.

Sir, Mrs Angela Rumbold's reply, as Minister of State at the Department of Education and Science, (Letters, October 18), to Professor Prais (Letters, October 16), will not reassure those worried by the failure of the proposed UK national curriculum to tackle the deficiencies in state schools today. Professor Prais drew attention to two of these:

● The failure at the outset to teach pupils the fundamentals of writing clear, correct English and mastering elementary arithmetic.

Without these, pupils remain illiterate and innumerate; unable to progress at school or cope with the demands of employment. None of the proposals for the national curriculum will tackle this problem. For example, in English, spelling will not be systematically taught, and the teaching of grammar has in practice been outlawed. In history, children will not be tested on facts. In mathematics, the average child will not be expected to know that 7 x 9 = 63 before the age of 11.

● The proposals as they stand will impose a single inflexible straitjacket – on all pupils irrespective of talent, ability or interest.

In Germany, France and Switzerland, by contrast, different opportunities exist for different pupils. But our proposed national curriculum will certainly not meet the different and distinctive needs of an advanced western economy in the late 20th century – technical, humanistic, scientific, mathematical, vocational.

Imposing the lowest common denominator on all state schools will not raise standards, but lower them. Those who fear that Britain is rapidly becoming the dunce of Europe hope that the independent schools will steer clear of such mediocrity.

Sheila Lawlor,
Centre For Policy Studies,
8 Wilfred Street, SW1

Silence has its risks

From Mr Adrian Zuckerman.

Sir, In your editorial comment on the implications of the acquittal of the Guildford four, (October 23) you advocate the extension of the safeguards of the Police and Criminal Evidence Act 1984 to terrorist suspects. These admirable safeguards are themselves under threat.

In July this year the Home Office published the report of the Working Group on the Right of Silence (C Division, Home Office, London, July 13, 1989). It recommends that as soon as a suspect is arrested he or she should be warned: "If there is any fact on which you intend to rely in your defence in court it would be best to mention it now. If you hold it back until you go to court you may be less likely to be believed."

Furthermore it is suggested that silence thereafter, even before the suspect is brought to the police station, should be capable of counting against the accused. Armed with this formula, police officers would be inclined to overplay the consequences of silence, and put pressure on the suspect to submit to immediate interrogation, before the latter has been brought to the police station and before there is any opportunity to consult a solicitor.

Such practice would drive a coach and horses through the safeguards of the Police and Criminal Evidence Act 1984, and the Codes of Practice which are designed for interrogation at the police station. For example, the fruits of "on the way" interrogation, whether statements or silence, will inevitably be unrecorded – and present the courts with intractable disputes about what was or was not said and in what circumstances.

If silence is to count against a suspect there is all the more reason to tighten the procedural safeguards, not relax them.

Adrian Zuckerman,
University College,
Oxford

The role of savings in the effort to control consumer spending

From Mr Alan Parker.

Sir, It is ridiculous that an individual should be discouraged from transferring an investment from the shares of one company to those of another, simply because to do so would render him/her liable to capital gains tax (Letters, October 21).

Even more absurd, it is generally cheaper to "bed and breakfast" (realising a gain while retaining a particular holding) than it is to sell and re-invest where the prospects seem brighter.

A simple solution might be the adoption of a "rolling exemption," whereby any profits become tax-free after the asset in question has been held for – say – five years. This would foster a medium/long term view without undue restriction of the exit route.

Machinery already exists, in our National Savings movement, to encourage personal savings. But this cannot be taken seriously when the general extension rate for matured certificates is a derisory 5.01 per cent. First and foremost we need to see National Savings products offering competitive rates across the board.

A.B. Parker,
13 Ashfield Crescent,
Bingley, West Yorkshire

Official support for UK exports should not diminish

From Mr Campbell Dunford.

Sir, Removal of official support for medium and long term exports would be an act of the gravest folly (Peter Montagnon's article on the Export Credit Guarantees department and support for UK exports, October 19). Unilateral disarmament of our principle trade weapon of defence will have far reaching harmful effects. Thousands of small companies are sustained by the sub-contract work arising from export contracts won by larger firms; millions of jobs depend on our export success or failure.

The pressure on sterling, and the consequent crippling interest and mortgage rates, are the direct result of our balance of payments gap. The world's money markets need to know that this trading nation can earn enough to pay its way – currently the markets do not believe that. Support from official export credits is vital, cheap, and its removal will cost many billions of pounds in support for sterling – with high interest rates and inevitable unemployment.

The Treasury view is short-sighted and flawed in both national and economic terms. It becomes harder for the ordinary businessman/woman or his/her banker to believe that the UK Government understands the realities of the marketplace.

Campbell Dunford,
London Chamber of Commerce,
69 Cannon Street, EC4

From Mr Philip Hills.

Sir, Concern expressed by the director general of the Confederation of British Industry about the possibility that ECGD (Export Credit Guarantees Department) support for medium-term export credit might diminish or even disappear (Letters, October 13), echoed in Peter Montagnon's article (October 19), is shared by banks which have a substantial commitment to UK industry in the field of trade and project finance.

If the Trade Secretary decides to reduce in any way the support now available for medium and long-term finance, this would constitute a unilateral act – the UK's principal overseas competitors show few signs of losing the support and subsidies their governments currently make available. UK Government policy does not endorse unilateralism in defence. Why should policy differ for the defence of such an important part of UK trade?

To withdraw support now, when the Government has encouraged more effort, resource and entrepreneurial flair to be displayed by UK exporters in opening new and sometimes difficult markets, seems even more illogical when the UK is running the worst balance of payments deficit in its history.

Maintaining ECGD support for medium and long term export credit reflects the interests of the UK as a whole, not only UK industry and the financial community of the City.

Philip Hills,
Midland Montagu Trade Finance,
110 Cannon street, EC4

FINANCIAL TIMES
Wednesday October 25 1989

Comprehensive package of agricultural reform is announced today

US calls for end of export subsidies

By William Dullforce in Geneva

The US will unveil in Washington and Geneva today the most complete and clearly articulated programme for agricultural reform so far tabled in the current multilateral trade talks.

It calls for elimination of all export subsidies on farm produce within five years. Domestic supports directly affecting farm production and prices would be phased out over 10 years.

All non-tariff barriers to imports would be converted into bound tariffs and cut over 10 years to zero or very low rates. (Countries "bind" tariffs by pledging not to raise them again.)

While the level of ambition remains high – the US claims its proposal is designed to correct distortions in current farm policies costing consumers and taxpayers worldwide more than $275bn a year – the hallmark of the US paper is its more sophisticated approach to the problems of dismantling existing farm regimes.

"Minimally trade-distorting policies" would be allowed, as would direct supports not linked to production or marketing. Some measures, including input or investment subsidies, would be brought under international discipline and gradually reduced. The proposal recognises developing countries may need more time to adjust.

Most important, the US has made it clear its latest proposal will have a real impact on its own farm regime. The export enhancement programme would go. The proposed action against internal supports would hit its deficiency payment system for grain farmers, meeting a European Community charge that the US has been asking Brussels to scrap its export restitution payments while seeking to retain its own surplus-creating deficiency payments.

Mr Richard Crowder, US Agriculture Under-Secretary, briefing key negotiators in Geneva yesterday, said the US believed its new proposal "made a lot of sense" and was good for agriculture and economic development. It should push forward farm trade talks in the Uruguay Round. For the first time negotiators could see all the elements of a deal in one package, Mr Crowder said.

The proposal seeks reform in four areas – market access, export competition, internal farm support, sanitary and phytosanitary controls – but insists they should be seen as parts of a comprehensive package.

● Import access. All import protection would be cut over 10 years to zero or very low tariffs. Derogations from the rules on import access currently allowed under the General Agreement on Tariffs and Trade (Gatt) would be scrapped.

Variable import levies, such as those forming the core of the EC farm regime, would be prohibited, as would voluntary restraint accords and minimum import pricing.

The earlier US proposal on import barrier tariffication has been modified by introduction of tariff-rate quotas and a safeguard mechanism. Quotas carrying agreed bound tariff rates would replace existing import quotas and other non-tariff measures in January, 1991. Intended to last only for the 10-year transition period, they are seen as a way of ensuring an orderly movement from the high level of protection provided by some countries' current non-tariff barriers to a tariff-based regime.

A special safeguard mechanism would protect countries against import surges during the 10 years. Governments would be allowed to revert to a higher level of tariff protection for the remainder of a year, if imports exceeded given levels of the previous year's domestic consumption.

● Export competition. All export subsidies on a comprehensive list of farm products would be scrapped within five years. The list contained in an annex to the US plan includes hides and skins, wool and raw cotton and wood products.

Bona fide food aid would be exempt from this prohibition, but the US wants new rules to govern the granting of food aid. Gatt rules allowing the restriction or prohibition of exports in short supply would be abandoned from January 1, 1991.

● Internal supports. The US proposes a three-tiered approach to impose discipline on domestic subsidies. Some policies would be prohibited at the end of a 10-year phase-out period. These would include government-administered pricing policies; income supports linked to production or marketing; transport subsidies; and any investment subsidy not provided to producers and processors on an equal basis.

Permitted policies would include income supports not linked to production or marketing; environmental and conservation programmes, bona fide disaster assistance; some market promotion; research, extension and educational services; and some stockpiling of food reserves. Programmes not covered by the first two categories would be subjected to Gatt disciplines designed to prevent them being used in ways that would cause prejudice or material injury to another country.

Reductions in these kinds of support would be negotiated, using as a basis an aggregate measure of support of the kind advocated by the EC.

● Sanitary measures. Clearly smarting over its recent quarrel with the EC over meat hormones, the US wants any measures designed to protect health, human, animal or plant life to be consistent with "sound scientific evidence" and to recognise "the principle of equivalency".

Its proposal spells out at some length how scientific standards could be set and assessed with the help of organisations such as the Codex Alimentarius Commission and the International Office of Epizootics. The US also outlines a procedure for settling disputes.

Brazil claims US soya regime breaches Gatt

BRAZIL, the world's second largest soya producer, will next week table a formal action against US export subsidies for soya products, claiming they are in breach of the Gatt trade agreement.

The move follows mounting anger in Brazil at the US Export Enhancement Programme (EEP) which, exporters claim, is financing American sales at up to $200 a tonne.

The US introduced its EEP regime for soya in 1987, claiming unfair competition from subsidised EC producers. But the Brazilians claim they have been the greatest victims as the subsidies have forced down prices in key markets.

Peking students sent for military training

By Robin Pauley and Colina MacDougall in Peking

THERE will not be a single graduate in 1993 from Peking University, China's most notable seat of learning.

This is because, in an exercise reminiscent of the Cultural Revolution in the late 1960s, the entire intake of 800 freshman students this year has been sent off for military training rather than being allowed to start their undergraduate courses this month.

The students, who would have been due to complete their four years of study in 1993, will not now graduate until 1994.

The action is part of the crackdown by the authorities in the wake of the demonstrations in May which ended with a massacre in Peking by the People's Liberation Army on June 4. Many of the student leaders of the unrest escaped abroad while a number of others have been arrested.

The Government has decided that all new students at Peking University, one of the main centres of the protest movement, must undertake a year's military training and "grassroots political study."

A newspaper photograph showed the economics course intake of students lined up at a military camp clutching automatic weapons. However, Western diplomats in Peking say the Chinese authorities have decided that these students will be given no weapons training of any sort.

It is not yet clear whether the students and the new intake at military colleges will be allowed to mix, or whether attempts will be made to quarantine the students to avoid the risk of political discussions between them and officer cadets, many of whom will have the same background and may even have been at high school together.

Zhu Yuli, director of the State Education Commission, said the programme was an experiment and might be extended to other universities.

"But we do not know how to manage it yet as there are 1,075 universities in China with 620,000 freshmen every year. Our military colleges and military campuses cannot hold that number. We are not sure if we can even manage it for the 100 main universities. We are still considering it."

Early in July, there were indications that the authorities were planning to introduce some form of "re-education" for students. At that time the programme largely involved propoganda in the form of Government produced "documentaries."

Students arriving at the military camps this week were presented with a mess tin each with the inscription "Happy Birthday" indicating a new beginning for them.

One girl celebrating her real birthday was given a birthday cake by the military authorities and was quoted by a Peking newspaper as saying: "I never thought I would be spending my eighteenth birthday like this."

Another part of the clampdown involves students wanting to study abroad. Increasing demand for the test of English as foreign language, a prerequisite for study abroad, has been met with a cut in the number allowed to sit the test.

Zhu said that no etudents studying for bachelor degrees would be allowed to go abroad except for a few studying foreign languages. A few people studying for masters and doctorates would be able to study abroad, particularly in "super-technology" subjects.

China, with a population of more than 1.1bn, has 3,000 places for masters students and 1,000 places for students working for doctorates.

The official number of illiterates remains at about 20 per cent of the population, or 250m, although many organisations within China estimate the number at nearer 500m.

THE LEX COLUMN

London's double adversaries

Yesterday was a perfect demonstration of the twin difficulties now facing UK equities. Having survived domestic preoccupations in the form of the trade deficit in the morning, the market was promptly mugged by Wall Street in the afternoon. If Wall Street's worries had been confined to the latest slump in the UAL share price they would have been of less international relevance. But the market was also reacting not only to worse-than-expected figures on US durable goods orders – reviving the spectre of a hard landing – but also to fresh evidence that US corporate earnings are starting to deteriorate.

In London, the news on the trade front was more mixed than it looked. The improvement in the overall deficit since August came not from a fall in imports – which were actually 5 per cent up – but from a surprising 15 per cent jump in export volume. This is at least consistent with the CBI's finding that exports are declining less sharply than domestic demand; what is less clear is whether the domestic economy has yet responded adequately to Mr Lawson's persuasion.

The London market now has little short-term news to look forward to; indeed, the next account will contain no significant economic data at all. Even if Wall Street was to behave itself in the meantime, the likelihood is that London will drift downwards. There have been too many surprises of late, all of them nasty.

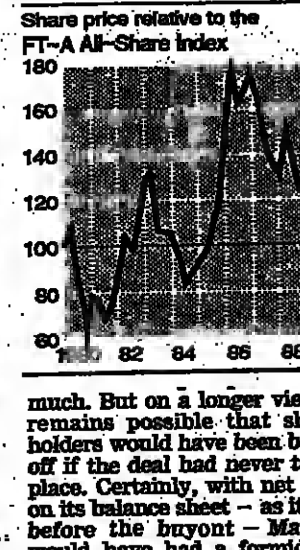
Magnet

A restructuring of Magnet's grossly-overloaded balance sheet has been on the cards ever since the last rise in base rates. The news comes rather soon for a deal which was concluded less than four months ago. But with hindsight, the buyout was an odd idea in a market already turning down and right in the Chancellor's line of fire.

There seems little for the banks to do but grit their teeth. Magnet's net asset value was always well below the level of the debt it was taking on. At the last balance sheet, half the assets consisted of stocks, which will doubtless have been heavily written down since. Magnet could doubtless argue that its plight is the best response to those who criticised the buyout on principle: far from having paid too little, it is sadly apparent that the managers paid far too

Wolseley

Share price relative to the FT-A All-Share index



much. But on a longer view, it remains possible that shareholders would have been better off if the deal had never taken place. Certainly, with net cash on its balance sheet – as it had before the buyont – Magnet would have had a formidable edge over its rivals instead of the reverse.

Vickers

There is something too glib about the way Vickers explains its eagerness to expand in the aerospace components business by paying 18 times this year's earnings for Ross Catherall. Not that Ross is mediocre. Its fine track record in niche markets, such as superalloys for aero-engines, is the stuff of a business school case study; bulging order books at Rolls-Royce should underpin Ross's earnings growth until well into the 1990s.

The problem is the premium that Vickers is happy to pay for control and its assertion that this is fully justified by Ross's franchise with aero-engine makers. Assume Ross has £10m cash in the bank and the price Vickers is really paying comes down to about 229p per share: 30 per cent or so above its pre-bid share price and more than £1 above the 125p at which Ross floated eight months ago.

Given that most of Ross's shares were locked up in 3i and family trusts, a bidder was always going to have to pay through the nose. But from the point of view of Vickers' shareholders, this only makes sense if it can achieve some fairly dramatic margin improvements from merging Ross with its own precision components business. This is not going to be easy; Ross'e margins are already more than 15 per cent and Vickers' existing operation is small.

Vickers may try to do the trick with more acquisitions, funded by the £140m remaining from its sale of its printing-plate business. If so, this is a brave tactic from a company now 12 per cent owned by Sir Ron Brierley.

Wolseley

Wolseley is a company from which the market has enjoyed jam yesterday but always seems to expect gruel tomorrow. However hard the group strives to produce better-than-expected figures, the market dismisses them because of fears about next time. Indeed, the decline in the UK housing market must hit the group sooner or later. Plumbing and heating are among the last elements to be installed in a house, so there is a natural lag before Wolseley suffers. And at the moment the group's US diversification is of only limited benefit, since although the West coast is roaring ahead, the East coast faces much the same problems as the UK.

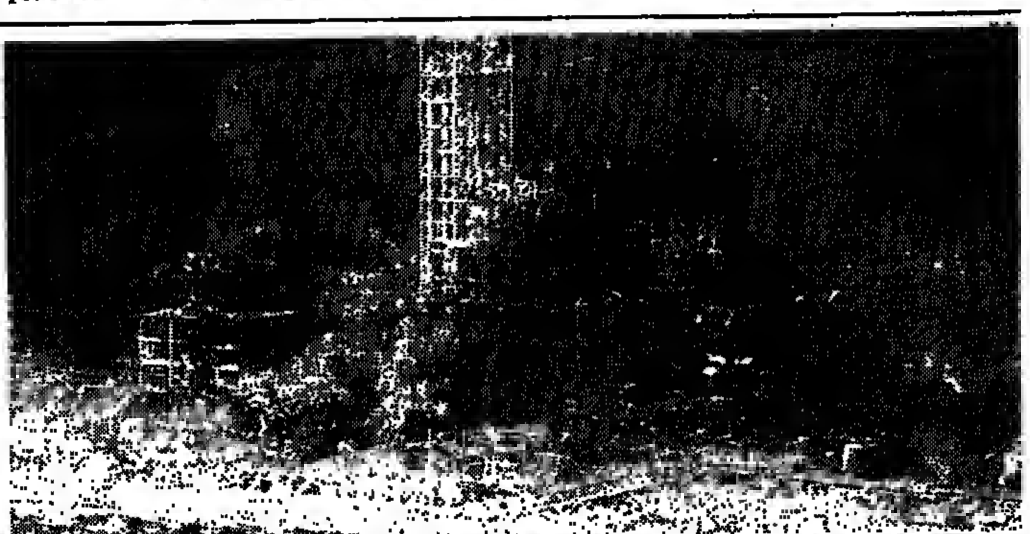
Nevertheless, if there is a stock to be picked in the builders' merchant sector, it has to be Wolseley. The group's profits record is excellent, it controls its stock efficiently and this year it should benefit from the downturn in the dollar and a slowdown in its opening programme. A traditional English winter with traditional burst pipes would do Wolseley no harm at all. Even without that, the company should be able to hold its profits at around last year's £120m. The shares should not fall far without meeting support from long-term investors.

Jaguar

Ford's filing to the SEC may only have made explicit what was previously implied – that it was prepared to bid outright for Jaguar – but it keeps up the pressure on General Motors. With a 12 per cent stake, Ford now has a large enough holding to call an extraordinary general meeting to challenge any Jaguar-GM link-up. Such has been the activity in the stock that the arbitrageurs may already have enough to block such a deal. It would not be surprising if GM is arguing, in its current discussions with Jaguar's board, that Sir John Egan will have to back a full GM offer if push comes to shove. All this should underpin the current share price; although there must be a limit to the goodwill write-off which even the deep purses of Detroit will be prepared to suffer.

Many still missing at chemicals complex

By Our Foreign Staff



Fire and smoke pour from the Phillips Chemicals plant in Pasadena, Texas.

FIREMEN yesterday brought a blaze at a shattered US chemical complex under control as Phillips Petroleum, the plant's owners, began to count the cost of its destruction.

The fire erupted on Monday afternoon at the plant in Pasadena, Texas, following a series of explosions that flung debris for five miles. The first explosion could be felt as far away as 25 miles. Several other explosions followed.

The company said 23 workers were missing. At least one was killed and 124 people were taken to hospital.

Last night, a Phillips reconnaissance team was preparing to enter the complex to determine how to begin safely searching for missing workers. Some workers were believed to be trapped in a burning building. "We're betting there's a lot of fatalities, just because of the nature of the explosion and where it happened," said Dr Paul Pepe, director of Houston'e emergency medical eervices.

Officials do not know exactly what caused the explosion. Mr Bill Stoltz, Phillips' environmental director, said yesterday a seal blew out on an ethylene loop reactor, releasing ethylene-isobutane, a compound used in making plastics.

A two-mile section of the busy Houston Ship Channel, which connects the Port of Houston to Galveston Bay, was closed for seven hours, but reopened on Monday night after it was determined that the smoke was non-toxic.

The plant makes 4.5m lbs a day of plastics. Last year, it produced about 2bn lbs of three plastic products – polyethylene, polypropylene and K-resin polymer.

Phillips said that the polyethlyene unit was severely damaged by the explosion and it did not know when the complex would resume operations. It had no estimates on the cost of damages and how such costs might affect company earnings.

In the aftermath of the explosion, Phillips' shares fell on Wall Street. Edith Barschi, an analyst from Drexel Burnham Lambert said: "Earnings in the next two quarters will be affected. The question is to what degree. They have business interruption insurance and property insurance, so it's too early to tell how much it will ultimately mean to them."

"We figure the plant will be shnt down for at least six months and you also have to look at potential liabilities that may be incurred due to loss of life and injury," said Mr Frederick Leuffer, senior oil analyst at CJ Lawrence, Morgan Grenfell.

US market falls as UAL board shelves buy-out

Continued from Page 1

point limit, triggering a circuit breaker, put in place after the 1987 crash, which halts trades in the contracts at a lower price for 30 minutes.

When futures trading resumed, however, arbitrage tended to help the cash market and helped stocks rally in the final hour.

As on October 13, UAL was a key factor in the day's performance. UAL shares were quoted more than $30 lower at one point but then rallied strongly on reports of fresh buying by various takeover specialists.

Share prices were also weakened by a soft durable goods orders performance in September.

Krenz offers dialogue and reform hope

Continued from Page 1

ted that some policemen and security officials had been guilty of "illegal actions" against demonstrators.

Four officials were under investigation and other charges of brutality were being studied. He said the "mistakes" of some should not be misused to create a campaign against the police and security forces.

Mr Krenz told Parliament that although recent demonstrations were peaceful, there had been a danger of a "different" outcome. Many citizens were disturbed by the protests, he said.

"The people's bread can only be created by joint work," he said, hoping to strike a chord among East Germans who were worried about street protests. Mr Krenz advocated an enlarged role for Parliament which meets twice a year and rubber-stamps the Party's legislation.

Members of the opposition said they were disappointed by the absence of concrete proposals for political and economic reform. Ms Bärbel Bohley, a founder of New Forum, the largest opposition group, said: "I am afraid this will not satisfy citizens who are demanding real reforms."

David Goodhart in Berlin adds: For the embryonic reform movement in East Berlin, by turns angry and diffident, Monday marked another half-step forward.

Berlin cannot yet, as Leipzig, bring hundreds of thousands onto the streets but it is in a better position to get its message across to the Government and the outside world.

The reformers did just that with their first "international press conference" on Monday afternoon, demanding an investigation into the police'e brutal behaviour towards demonstrators on October 7 and 8.

To the pleasant surprise of the reformers, senior figures from the East Berlin prosecutor's office turned up to look concerned, and there was a full report on the evening's TV news.

Attention then shifted to the Gethsemane Church, hub of the movement in East Berlin, which by six o'clock had at least 3,000 people packed in for a "service" that, after 15 minutes of quasi-religious preamble, got down to politics.

There were open letters and statements from individuals or representatives of the half-dozen reform groups, and news of actions from around the country.

WORLD WEATHER

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UK current account deficit eases

Continued from Page 1

said import growth was slowing significantly.

In parliament, however, Mr Lawson's policies came under attack from Mr John Smith, the opposition Labour economics spokesman, who described the economy's present problems as almost entirely of Mr Lawson's making and derided the Chancellor's claim last year that he had presided over "an economic miracle."

Mr Lawson acknowledged that during the last two years there had been "a fall in savings, and a rise in borrowing and spending, on a wholly unprecedented and unexpected scale".

He added that the Government would keep interest rates high for as long as was needed to cut inflation and would reject the "delusion" that it could solve the problems by allowing sterling to fall.

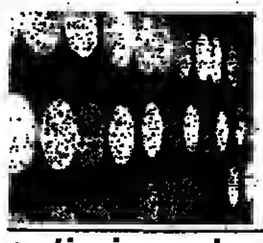
In his attack, Mr Smith also alleged a split on economic policy within the Government and claimed that Sir Alan Walters, who he called an "unelected, unappointed alternative Chancellor", had consistently thwarted Mr Lawson's policies and contradicted his aims.

Mr Smith cited at length a recent article by Sir Alan for publication in an American magazine. Sir Alan had described the EMS as "half-baked" and said that Mrs Margaret Thatcher had so far shared his opposition to full British membership.

Mr Lawson replied that Sir Alan was "a part-time adviser". He then added that: "His views on the EMS are not the views of the Government".

SECTION III

FINANCIAL TIMES SURVEY



A sustained period of high prices has enabled producers to reap record profits and there is cautious optimism about the future, writes **Kenneth Gooding.** Car makers are seen as important aluminium users in the 1990s, when recycling will be of even greater significance

On the side of the angels

TAKE A tour of the aluminium producers and you find senior executives full of confidence and remarkably unanimous about the industry's future.

□ France. "The Western economy should be in good shape next year. The so-called soft landing in the US is actually happening and it is the same in Europe," says Mr Bernard Legrand, president of Aluminium Pechiney in Paris. "We don't expect any downturn in demand next year."

□ Canada. "In my opinion the industry fundamentals, and by that I mean the basic supply-demand relationship, will remain solid at least through 1992 when new capacity is planned to come on stream," says Mr David Morton, chairman and chief executive of Alcan in Montreal.

"However, a growth in demand of a little over 2 per cent a year is more than enough to absorb any new capacity that can come on stream through 1991. Anything greater than that will make the 1992 increase in capacity a welcome relief rather than an embarrassing surplus."

□ The US. "We see the close balance between supply and demand continuing at least through 1992 with aluminium usage increasing, especially outside the US, well into the next century," says Mr Bill Bourke, chairman and chief executive of Reynolds Metals, in Richmond, Virginia.

□ Switzerland. "The European aluminium industry is in excellent shape and able to benefit fully from a sound economic environment. Most important is the fact that earnings allow the industry to arrange for the necessary investments to secure the future," says Dr Theodor Tschopp, executive vice president of Alusuisse in Zurich.

The aluminium industry has certainly changed its tune since the recession only three years ago. Then, there were widespread doubts about the industry's future and Alcoa (the Aluminium Company of America), the biggest company of its kind in the world, gave the impression it wanted to quit and move into high-technology businesses with a higher expected growth rate.

Pessimism abounded in the rest of the industry because demand was flat, prices were at rock bottom and the strong dollar was crippling the US groups which dominate aluminium production.

What has happened to change the mood to one of cautious optimism?

To start with, primary aluminium prices on the London Metal Exchange have rebounded from under $950 a tonne in 1985 to a record $3,200 in June 1988. Since then, prices have dropped back to about $1,800 but that is still 90 per cent above those 1985 lows.

The price surge reflected a real shortage of physical metal which goes back to the deep recession that overtook all the base metals in the early 1980s.

Aluminium was particularly badly hit because the oil crises which slowed world economic growth also moved energy prices up to a higher level in one, big step. Energy accounts for about 20 per cent of aluminium's production cost and this one blow wiped out a great deal of smelter capacity in the industrialised countries.

Virtually all Japanese capacity was shut down and US output of primary aluminium slumped between 1980 and 1986 from 4.645m tonnes to an 18-year low of 3.037m tonnes.

However, the recent sustained period of high prices has enabled the aluminium producers to reap record profits — particularly those producers in Europe and North America which had been forced by the recession to rationalise and streamline their operations. Record earnings enabled the companies to repair their tattered balance sheets, pay off most of their debts and speed up investment programmes.

Primary aluminium shipments in 1988 reached a record for the third year in succession and were 13.2m tonnes — up 2 per cent on 1987.

But most aluminium companies in Europe and North America increased their revenues by much greater percentages. Not only have they increased production efficiency but they have also switched from commodity products to those with higher value.

Thus Dr Tschopp of Alusuisse points out that there is a 30 per cent mark-up between primary metal and aluminium can stock. A speciality product sells for 100 to 300 per cent more than the basic metal.

Chasing demand, primary aluminium production in the non-communist world increased sharply in 1988 to 13.5m tonnes, a 1.5m tonnes or 7 per cent increase from 1987.

This helped to replenish stocks which in May last year were down to only 1.4m tonnes or just 5½ weeks' usage. That was the lowest stock-to-consumption ratio on record and well below the equilibrium level of seven to eight weeks.

Output cannot grow much more as primary aluminium plants have been operating at about 100 per cent of their rated capacities. Strikes, hurricanes, pricing disputes and alumina shortages have held back production in recent months.

But many analysts believe output will be up by another 600,000 tonnes this year, shifting the market from a severe deficit to a slight surplus.

Looking at future demand, Mr Bill Bourke of Reynolds says: "It is true that the world-wide industry is not enjoying the high growth rates that characterised the 1960s and 1970s. However, annual growth in shipments for the last few years has been in the 4 per cent range. We anticipate average annual growth of 3 to 4 per cent well into the 1990s. That's pretty healthy growth."

Some observers feel that a 2 per cent annual growth rate in demand is more likely over the medium term and pessimists in the industry are worried about potentially enormous increases in primary aluminium capacity. If all the projects announced in the last two years came to fruition, capacity would increase by an annual 6m tonnes and the first surge in production could start as early as 1992.

Mr Legrand of Pechiney puts these fears into perspective: "Much of the talk about increased capacity is just that — talk. If you want to build a new smelter you need $1bn and that is not easy to find. We feel that the new capacity to come on stream will just keep supply and demand in balance."

Dr Tschopp feels the same way. "Venezuela has tremendous capacity potential. But South American politics are difficult. Who would invest millions in Brazil, for example, until long-term political and economic stability was assured? Canada has such stability, but would it want another 10 smelters?"

While the industry seems not particularly concerned about the possibility of another period of excess capacity, there are other issues at which its strategists are looking very closely.

According to Alcan's Mr Morton, there are four key issues the industry must face in the 1990s: international competition; the development of new products and markets; rising environmental expectations and, closely allied to this, recycling. He suggests that trade barriers are being dismantled the world over. There will be fewer places for high-cost operations to hide.

"Ultimately the industry has to reckon with living in a world without tariffs, without non-tariff barriers, without trade-distorting subsidies and still be profitable."

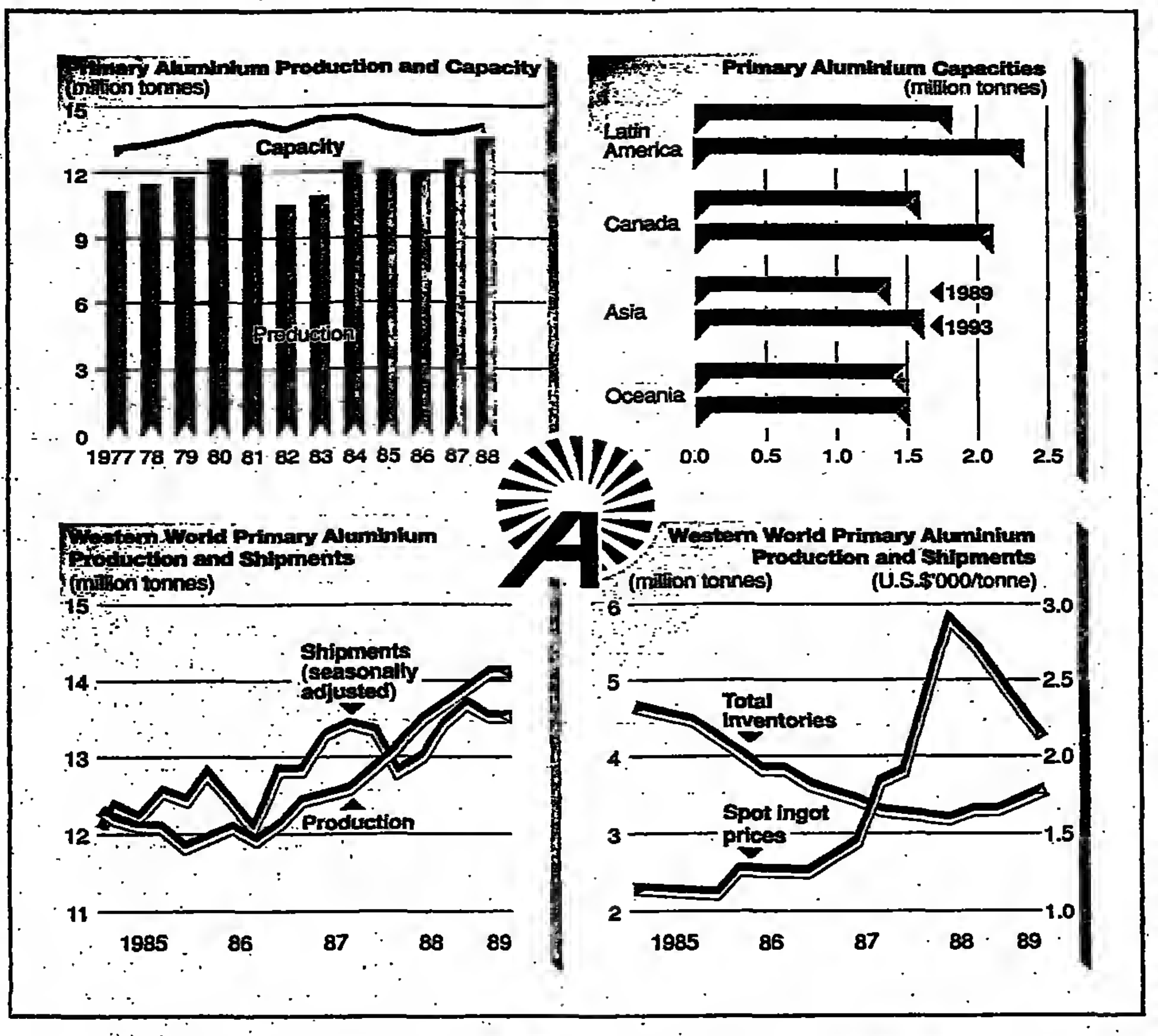
As for product and market development, Mr Morton believes there is tremendous potential for aluminium metal matrix composites, for example. These can be processed by existing technologies and give significantly higher stiffness, strength and wear resistance at low-cost premiums to aluminium.

However, like many others in the industry, Mr Morton reckons that the greatest promise for aluminium lies with its customers in the automotive industry. Alcan predicts that in the long term, the car makers will be as important aluminium users as the can producers are today.

New investment in all aspects of the industry's processes, from bauxite mining to anodising, that really meets tomorrow's environmental requirements carries a cost penalty of up to 20 per cent — which ultimately will have to be paid by consumers. And: "The faster the change demanded, the higher the cost, both social and financial," he adds.

On the related issue of recycling, Mr Morton says aluminium "is on the side of the angels." He points out that aluminium carries an intrinsic value that is tapped each time it is recycled. The industry itself needs to take advantage of this virtue and design products in forms that are more easily recyclable.

"Looking ahead, I can see the day when the aluminium industry will in a sense be 'leasing' the aluminium in its products to its customers, rather than selling it to them. It will do this by guaranteeing a take-back at the end of the product life cycle."



ALUMINIUM

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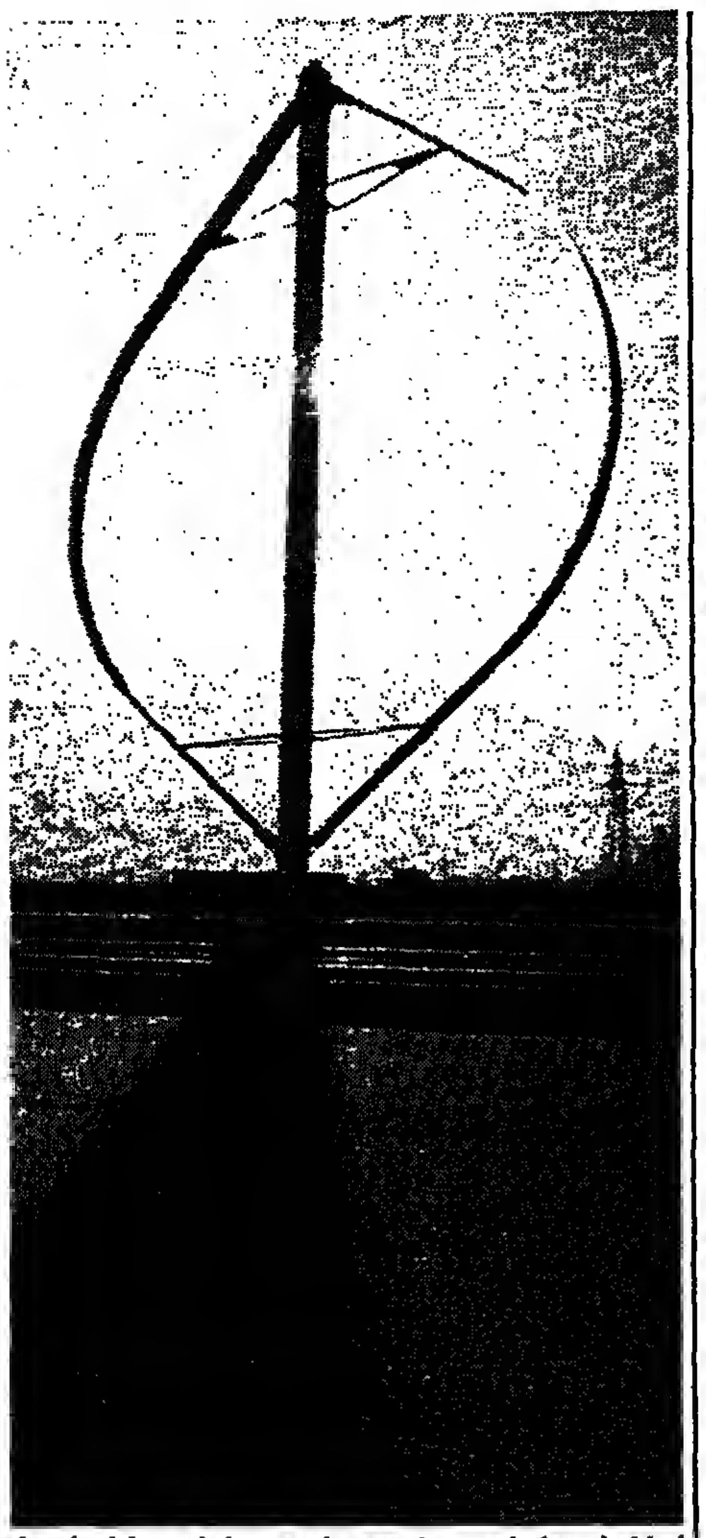
Growth forecasts are rolled back



An aluminium wind-powered generator, producing electrical energy, in operation near Martigny in Switzerland

THE strength of the aluminium market in recent years has led to an apparent reversal of the trend towards production in the newly industrialising countries.

As idle US capacity has been attracted back into operation, that country's share of non-communist world production has rallied from its 1986 low of 36 to 38.7 per cent in 1988, and a similar response has been seen in other industrialised countries. But analysts remain in no doubt that the longer-term future for aluminium production lies elsewhere.

Aluminium producing is an energy-intensive undertaking, so it is to the hydro-powered Latin American industry and the natural gas-rich Middle East that the sector is increasingly looking for further growth in capacity.

The rise in energy prices has already put paid to Japan's aluminium smelting capacity. Having more than tripled to around 1m tonnes a year between 1965 and 1975, the country's output peaked at 1.7m tonnes in the late 1970s. But now it is down to less than 40,000 tonnes a year.

Other developed countries have fared better but the scope for further expansion depends heavily on favourable market conditions. And with very low cost production looming, particularly in Venezuela and the Middle East, the developed world smelting industry is displaying a caution which has often been sadly lacking in its boom-and-bust past.

"The mere threat of Venezuelan capacity expansions may be enough to keep the industry from making numerous investments in capacity elsewhere," says Mr Tom van Leuwen, Shearson Lehman's New York-based aluminium analyst, in the company's latest Aluminium Monthly.

"Aluminium companies want to build low-cost smelting facilities," says Mr van Leuwen, "and that discourages construction of smelters that draw energy from high-cost, oil-based generating facilities. It also discourages adding capacity in areas of high labour costs and areas far distant from bauxite and alumina (aluminium oxide) supplies."

The prospects of large Latin American and Middle Eastern additions to aluminium smelting capacity do not appear as imminent as they did, however. "Many projects scheduled to come on stream in the early 1990s have met with delays caused by financing difficulties or engineering setbacks," says the Shearson analyst. "As a result, the near-term outlook for slow growth in primary aluminium production can be extended by one or more years through at least mid-1993."

In January Shearson had been projecting year-on-year capacity growth (from a forecast 1989 record of 14.58m tonnes) of 0.9 per cent in 1990, 6 per cent in 1991 and 3.9 per cent in 1992. But now those projections have been cut to 0.5, 2.2 and 2.8 per cent.

Mr van Leuwen says the rolling back of growth expectations is chiefly due to delays to smelter projects in Brazil and Venezuela. He also notes delays to projects in Iceland, Saudi Arabia, Qatar and France. But most of the projected new capacity is likely to arrive eventually, though several Venezuelan projects may be scrapped entirely.

Thus, a lower-than-expected growth rate over the next few years would be followed by a period of faster growth and Shearson still predicts a total non-communist world capacity of 18.83m tonnes in 1995.

At Drexel Burnham Lambert, analyst Mr Frederick Demler predicts a 320,000 tonnes increase in the aluminium smelting capacity of the non-communist world (plus Yugoslavia) next year, after a 470,000-tonne increase in 1989. He notes a considerable slowing in the rate of growth over the first half of this year. January's production was up 8.7 per cent from a year earlier, but by April the year-on-year rise was only 6.3 per cent and by August only 3.4 per cent.

"The slowdown in production growth largely reflects the industry operating full-out. Operating at such high rates of utilisation (with some plants at over 100 per cent of rated capacity) has strained the supply chain," Mr Demler says. He cites labour unrest, alumina and caustic soda shortages, drought and hurricanes as contributing to the problems.

"There is little new capacity planned over the next 18 months," he adds. Among projects planned over the "near term," he lists: Alcan's Laterriere project and the Baie Comeau expansion, both in Quebec; the Alumar, Albras and Sorocaba expansions in Brazil; Alcasa, Venalum, Alisa, Almasa, Aluyana and Alusar in Venezuela; Pechiney's Dunkirk plant; a further build-up at Nalco in India; projects in Qatar and Umm Al Quwain, United Arab Emirates; and a 10 per cent expansion for Portland in Australia. But "it is the post-1991 period when the bulk of this inventory of potential capacity is expected to be brought online," he says.

"Over the intermediate term, we forecast a further slowing in production growth from 6.3 per cent in the first half to 2.8 per cent in the second half of 1989." Drexel expects that slowdown to continue into the first half of 1990, with 1.8 per cent growth, edging up to 2 per cent in the second half. Overall, Mr Demler projects a 600,000-tonne increase in production this year, followed by 265,000 tonnes next year and 560,000 tonnes, or 3.8 per cent, in 1991.

An even longer list of projects planned but not yet financed could be on stream as early as 1992-93, he suggests. These could add a further 3m tonnes to annual production capacity, taking the increase since 1988 to about 6m tonnes.

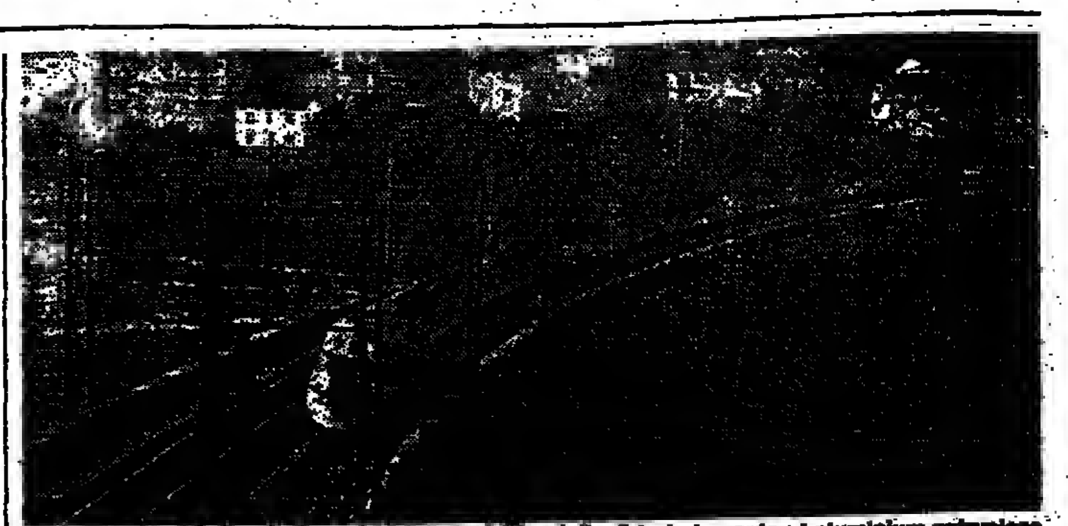
A lot could depend on the performance of the aluminium price, but the present level of more than 80 cents a lb offers some leeway for all but the highest cost operations. Calculations for 1988 compiled by Anthony Bird Associates, the London-based consultancy, put the highest cost among the large producers at 60 cents a lb (excluding interest and depreciation charges), for Kaiser Aluminium of the US while the lowest was Pechiney's 46 cents.

The general level of prices, however, was inflated by the high price for aluminium ruling then (more than $1 a lb) because many companies had negotiated contracts linking the rates they paid for power supplies to the market price of their end-product. The subsequent price fall will have reduced costs in many cases.

PRIMARY ALUMINIUM PRODUCTION & SMELTING CAPACITY: NON-SOCIALIST WORLD
Figures in thousand tonnes

	1986	1987	1988	1989	1990*
North America					
Production	4,391.7	4,883.3	5,494.0	5,595.0	5,610.0
Capacity	5,429.0	5,486.0	5,583.0	5,613.0	5,656.0
Utilisation	80.9	89.0	98.8	99.7	99.2
Latin America					
Production	1,396.7	1,500.3	1,552.0	1,675.0	1,770.0
Capacity	1,518.0	1,558.0	1,676.0	1,839.0	1,959.0
Utilisation	92.0	96.3	92.6	91.1	90.4
Western Europe					
Production	3,673.9	3,734.8	3,812.0	3,882.0	3,860.0
Capacity	3,917.0	3,908.0	3,932.0	3,942.0	3,897.0
Utilisation	93.8	95.6	97.0	98.5	99.1
Asia					
Production	1,086.4	935.0	987.0	1,105.0	1,185.0
Capacity	1,124.0	1,183.0	1,244.0	1,339.0	1,464.0
Utilisation	77.1	79.0	79.3	82.5	80.9
Australasia					
Production	1,111.2	1,278.2	1,410.0	1,460.0	1,460.0
Capacity	1,124.0	1,308.0	1,457.0	1,457.0	1,457.0
Utilisation	98.9	97.7	96.8	100.2	100.2
Africa					
Production	582.2	571.6	582.0	590.0	600.0
Capacity	632.0	635.0	635.0	635.0	635.0
Utilisation	87.4	90.0	91.7	92.9	94.5
TOTAL					
Production	12,192.1	12,901.2	13,837.0	14,307.0	14,485.0
Capacity	14,003.0	14,074.0	14,507.0	14,825.0	15,068.0
Utilisation	87.1	91.7	95.4	96.5	96.1

*Estimate. Source: Shearson Lehman Hutton



The car body of Italian Railways' high-speed "Pendolino" train is made of aluminium extrusions

SECONDARY SECTOR

The potential of scrap

RECYCLING HAS become something of a buzz-word among the developed world's aluminium producers. As the industry witnesses an inexorable shift of primary production to low-energy cost areas, the production of secondary metal from recovered car components, scrapped consumer durables and beverage cans is becoming an increasingly important source of supply.

And with the "greening" of the industrialised world, the secondary sector is assuming a growing role in polishing up aluminium's public image, previously tarnished by pollution problems and high energy usage.

Smelting recovered metal presents far less pollution problems than primary production and its energy consumption is dramatically lower — in its annual review of the World Aluminium Industry 1989, Shearson Lehman Hutton's London metals team says it takes 15,000 kw of energy to produce a tonne of primary metal but only 550 kw for a tonne of secondary metal. Equally important, the recyclability of aluminium, by virtue of its attractive value/cost ratio, means that it need not generate so much useless scrap as steel or cast iron (its chief competitors) to clutter up the environment and make further energy demands for its disposal.

Some primary aluminium producers have been unhappy at the growth of secondary output, believing that it takes demand away from primary metal. But Shearson sees this as a short-sighted view. "The cost-savings offered by secondary metal makes some semis (semi-fabricated) products — can-sheet and castings — much more competitive than they would otherwise be," it points out. "Also, it is highly unlikely that the aluminium beverage can would have achieved the success it enjoys in the US if not for the existence of the huge recycling programmes."

The term "secondary aluminium" covers scrap generated at the fabrication and foundry stages and in product manufacture as well as recovery of industrial and consumer goods that have reached the end of their useful lives. But it is the latter category, known as "capital" or "old" scrap, that offers the greatest potential for growth.

In the US, by far the biggest user of secondary aluminium, early growth in recycling concentrated on "process" scrap and the total had reached about 1m tonnes a year before recovery of capital scrap began to surge after the energy cost hikes of the mid-1970s.

According to Aluminium Association figures, recovery of capital scrap in the US rose by 367 per cent between 1970 and 1987. At first it was longer-life products like car parts which provided the bulk, but by the late 1970s nearly all the expansion was coming from used beverage cans. By 1987 capital scrap was accounting for 45 per cent of all aluminium scrap being processed in the US, up from 21 per cent in 1970, and beverage cans alone were contributing 33 per cent of the overall total (including process scrap), up from 7 per cent.

Figures for 1987 collected by Metallgesellschaft, the West German metal producer, show that the the US dwarfed all other countries in terms of secondary aluminium consumption, its figure of 1.98m tonnes being nearly 1.2m tonnes ahead of second-placed Japan. As a proportion of total aluminium usage, however, its figure of 30.5 per cent lagged behind West Germany's 36.9 per cent, Italy's 35.6 per cent and Japan's 31.4 per cent.

The upsurge in the US recycling rate for aluminium beverage cans peaked in 1982 when the proportion of cans collected reached 55.5 per cent. Since then, it has fluctuated around the 50 per cent mark, although the actual tonnage reclaimed has continued to rise with the level of aluminium can usage, reaching 606,000 tonnes in 1987 compared with 510,000 tonnes in 1982.

Europe is ahead of the US in the secondary proportion of its total aluminium consumption. According to the European Aluminium Association, 1.6m tonnes of recycled material

Europe's secondary industry pins growth hopes on beverage can recycling

were consumed in 1988, about 35 per cent of the total. Considerable potential for growth is seen, however and, with Europe's scope for increasing primary production to meet the 2 per cent-a-year projected rise in consumption strictly limited, efforts are being stepped up to realise that potential.

Already some 70 per cent of the aluminium used in electrical engineering, building and transport is being reclaimed. So the European secondary industry is pinning its hopes for growth chiefly on beverage can recycling.

In 1988 about 6bn of the 16bn soft drinks cans used in the region were made from aluminium and the industry is hopeful of boosting that proportion above 50 per cent by 1992.

To this end the Aluminium Can Recycling Association has been set up by five companies (three of them American — Alcan, Alcoa and Reynolds Metals — plus Pechiney of France and VAW of West Germany). The association has a staff of 25 employed on promotion.

Mr Alexander Wirtz, general manager, can recycling, Europe, at Alcan Deutschland, stresses that if the association's promotional efforts are to bear fruit the countries targeted must use enough aluminium cans to make recycling viable. This rules out West Germany, for instance, where less than 15 per cent of beverage cans are made from aluminium.

But Britain is another matter. Of the 4.25bn aluminium cans used each year only about 3.5 per cent are currently being recycled. So it is here that the association has recently launched a major campaign, with the goal of matching the US recovery rate. A fillip to this campaign is British Alcan's recent decision to build Europe's first purpose-built aluminium can recycling plant, at a cost of nearly £20m, close to its existing plant near Warrington, Cheshire. Initially, however, feedstock for the plant will have to come from imports.

The association has already enjoyed some success, particularly in Greece, where in just four years its efforts have helped to boost the recycling rate to 20 per cent. In Italy it has encouraged more than 500 municipal campaigns which have achieved rates between 15 and 20 per cent.

"We must do everything we can to ensure that aluminium recycling works all over Europe and that it is accepted and supported by the consumers," says Mr Theodor Tschopp, chairman of the European Aluminium Association.

Shearson Lehman Hutton is confident that there will be no shortage of material for recycling. "This is clearly the case with regard to the automobile population," it said in its year's review. "The number of vehicles in use has risen steadily, and in all probability will continue to do so for the rest of the century... Thus the vehicle population provides a huge and growing reserve of scrap." It also pointed out that the aluminium content of vehicles was rising and that metal segregation techniques had improved. Taking this together with the expected growth in the market penetration of aluminium cans and in the recovery rate, Shearson believes that "the volume of scrap recovered will rise and that an increasing proportion of semis will be fabricated from secondary metal."

Richard Mooney

Roger Littlewood, of the Aluminium Stockholders Association

STOCKHOLDERS

In flexibility is strength

ALUMINIUM stockholding – an industry born in the 1950s – has matured into a sophisticated business and is playing an increasingly important role as UK industry changes.

The figures reflect the sector's rapid expansion. The Aluminium Stockholders Association's members shipped 32,000 tonnes of aluminium and related alloys in 1962. Last year shipments reached 122,000 tonnes and this year the ASA is forecasting 126,000 tonnes – 87,000 tonnes of rolled products and 39,000 tonnes of extruded products.

As the size of the ingots emerging from the aluminium production lines increased, the stockholders' role became more important. Few end-users could take whole ingots, which now average five to six tonnes, and will soon be as big as 12 tonnes.

But, says Mr Roger Littlewood, chairman of the ASA, the emphasis of the industry is changing as stockholders become more sophisticated in their own use of aluminium. They now offer a huge range of processing and fabrication services to supply metal to their customers as they want it, he says.

"A manufacturer doesn't want to sit on stocks when the base rate is 15 per cent"

In the simplest terms, the stockholder acts as a metal banker for manufacturing industry. "A manufacturer wants to do what he is good at," explains Mr Littlewood. "He doesn't want to sit on stocks when the base rate is at 15 per cent. The attraction of the stockholder breaking bulk at this point is very great."

He gives as an example a company making aluminium washers – perhaps millions a year. It wants to fill its works with automatic machinery, not with stocks of aluminium coil. The company will want the coil delivered perhaps once a week, and needs it slit to a width which enables it to put the coil straight onto its machines. But it needs to be able to order extra coil in a much shorter time if it gets a rush job or an unusual specification.

Bigger manufacturers – including the car makers – are looking for much shorter lead times than a week for raw materials or components. Some are working towards delivery time slots measured in hours – or "just in time". This concept keeps manufacturing working capital in raw material stocks to a minimum.

In many cases the stockholder will build his business around dedicated stocklines for a particular customer. The provision of special stocks and special services could account for a substantial part of the stockholders' turnover.

Last year was an exceptional trading year for the industry, according to Mr Littlewood. For three of the four quarters stockholders were building up their own stocks to cope with demand. The first quarter of this year saw sales by the stockists of 20,000 tonnes – higher than for any single quarter in 1988 – but the stockists themselves kept their purchases to 18,500 tonnes as they anticipated a downturn in sales.

"The general feeling is that business is holding up well, considering the interest rates," Mr Littlewood says of this year. "Manufacturing industry has not been as hard hit as the retailers. We are all surprised at how well it has held up." But he expects a hard landing for his industry if there is a hard landing for manufacturing.

Nevertheless, he remains optimistic about the first quarter next year, although he points out that destocking generally has brought the lead times from the aluminium mills down to three or four weeks – compared with 12 weeks or more in the middle of last year.

During the months of high demand and long lead times the nationwide network of stockholders demonstrated its worth to UK industry, Mr Littlewood believes. "We had sufficient stocks and sufficient clout with the mills – no mill is interested in delivering two boxes of aluminium to Aberdeen or Cheltenham."

It is the flexibility of the stockholders that has proved their main strength. The slow but steady growth of stockholding has been consumer-led rather than producer-driven – it appears that the entrepreneurial flair needed for distribution is quite different from that required in the smelting industry.

The days of the standard 8ft by 4ft sheet or 12ft length of angle have gone. The stockholders have built up a comprehensive range of processing and fabricating services.

These include coil-slitting and decoiling down to 3mm widths; guillotining with machines able to handle wide and very accurate cuts; extrusion sawing; square, rake and compound angle cutting; plate profiling, polishing, close tolerance machining and drilling; full-scale bent and welded sheet fabrication; and a range of finished surfaces, including painted, anodised, polished, laminated and brushed.

Quality control is also being improved. High-tech industries such as aerospace have always required strict quality controls, and now virtually all the stockholding industry is following BSI standards. "This gives a manufacturer traceable material for individual mill batches – but in small quantities," says Mr Littlewood. "This is plainly a facility that manufacturers who require stringent quality controls must have."

The entrepreneurial flair for distribution differs from that required in smelting

The ASA aims to build a reputation for quality and may introduce a qualification as a condition of membership. At present members must have sales in excess of 150 tonnes a year and carry a minimum of 50 tonnes of stock *at all times*.

In addition, the ASA has taken steps to raise its profile by spending more on advertising. Mr Littlewood says there has been very little generic promotion for flat mill products and the ASA is planning co-operation with the Aluminium Rolled Products Manufacturers' Association, which had an advertising budget last year of £30,000 compared to the extruders' £390,000.

All these moves have meant a big capital investment for the stockholders. Mr Littlewood says the investment in 1986 was £100m, and has been growing strongly since.

The changing nature of the industry has led to a certain amount of rationalisation – the ASA now has 36 members, compared with 40 last year. Mr Littlewood believes the decline was inevitable after "a certain amount of over-expansion" in 1988, and considers it to be a positive development which will lead to better quality and service standards.

David Blackwell

David Blackwell looks at trends in demand for the metal

Global economy is blamed for reduction in growth

TWO years of strong growth, demand for aluminium has slowed this year – but better times could soon return.

The boom in prices last year followed a surge in demand which exceeded the most optimistic expectations and took the metals markets by surprise. In 1987 demand for aluminium rose by 6.5 per cent, according to Shearson Lehman Hutton's London mining team.

Last year it grew strongly again, by 5.4 per cent to 14.36m tonnes, driven by the thriving economies of the US, Western Europe and Asia-Pacific countries.

This year analysts expect growth to be between 0.5 and 2 per cent higher than in 1988. The slowdown could be in part a reaction to the high prices of summer 1988, when metal for immediate delivery on the London Metel Exchange reached $4,280 a tonne. Prices now are less than half this level, but Mr Anthony Bird, of aluminium analysts Anthony Bird Associates, points out that there is a lag of up to 18 months before any changes in the metal's competitive position have their full effect on demand.

"Thus, just as the poor competitive position of early 1988 looks like depressing consumption in late 1989, so the improvement of late 1988 and early 1989 should boost demand for aluminium from 1990 onwards," Mr Bird asserted in his July quarterly report Aluminium Analysis.

Others believe that the world economic situation has been the main culprit in hitting demand growth. "Aluminium, being more retail-oriented than the other metals, has been the first to respond to a slowing global economy and the consequent reduction in consumer spending," says this month's Special Report on the Outlook for Base Metals from Rudolf Wolff, the London trader.

The main markets for aluminium in the non-Communist world are in the transport sector, which accounts for 25 per cent of aluminium used, building and construction (22 per cent) and packaging (18 per cent.)

Shearson Lehman pointed out last month that in the US, which accounts for 33 per cent of the total demand of just over 14m tonnes, both the construction and automobile sectors have been sluggish this year. In the first seven months US housing starts were 3.3 per cent down on the corresponding period of 1988, while automobile output was broadly unchanged.

The construction sector overall has been the worst performer this year. While it offers the most diverse number of outlets, it is also wide open to competition from alternative metals, not to say other materials such as timber, plastics and coated steels.

Consumpton per capita - 1987 figures in kg

Austria	16.1	Italy	17.7
Belgium	7.3	Netherlands	15.4
Denmark	12.0	Norway	15.1
Finland	12.1	Spain	8.3
France	14.2	Sweden	20.1
Germany	25.9	Switzerland	16.8
Greece	4.7	UK	11.5

	1975	1980	1987
Europe	9.9	13.9	15.5
US	20.4	25.8	27.4
Japan	12.2	20.7	22.3

Metals and Minerals Research Services, in its latest quarterly report, points out that the sector in the US accounted for only 37.5 per cent of US demand in the first quarter of this year, against 42.5 per cent in the previous year. Although this change also reflects increasing offtake for the transportation and packaging sectors, total US orders declined by nearly 5 per cent in the first quarter.

The transportation sector – the biggest consumer of the metal – includes commercial vehicles, boat building, railway rolling stock and aerospace. But it is dominated by the car industry, which in the US accounts for 60 per cent of the sector. The continuing struggle to reduce the weight of the US automobile has led to each vehicle containing 155lb of the metal – almost double the level of 10 years ago. While US automotive demand is flat after a strong year in 1988, the Japanese automotive industry is continuing strong, as is the West German and Italian.

The packaging sector, while only third in the triumvirate, shows the most potential for expanding aluminium offtake. According to Shearson, "the strong level of growth within this category has been largely responsible for the increase in aluminium demand during the course of the 1980s." It estimates that between 1979 and 1988 aluminium consumption within the packaging sector grew at an annual average rate of 3.6 per cent, compared with annual growth rates of 1.7 and 0.8 per cent in the transport and construction industries.

The US is the main consumer of aluminium packaging almost entirely through the metal's use for canning drinks. Not only has aluminium almost wiped tinplate off the market, but the number of tins produced in the US continues to rise inexorably – 75bn were made in 1987 against 35bn in 1970. Packaging accounts for 30 per cent of US consumption, according to Shearson, against only 10 per cent of total demand in Japan and Western Europe.

Japan is the second biggest single market for aluminium after the US, with 15 per cent of world demand. The potential for the packaging industry is enormous, Mr Neil Buxton of Shearson's London mining team believes. "There is room for huge growth in Japan as cans replace bottles for beer. The packaging industry saw a 19 per cent increase in consumption last year and is heading for a further 6 per cent increase this year," he says.

Next year most analysts expect world consumption of aluminium to resume a stronger upward trend. Shearson believes the lull in US demand is likely to be brief, given the "soft landing" view of its economists. There is nothing to suggest that growth outside the US will slow, especially in view of the opportunities in the packaging and automobile sectors. Shearson predicts aluminium demand expanding by 2.5 per cent next year to 14.97m tonnes, with a similar increase the following year.

Rudolf Wolff predicts 2 per cent growth next year to 14.94m tonnes. It expects the aircraft and aerospace industries to remain strong, in addition to automobiles, packaging and construction.

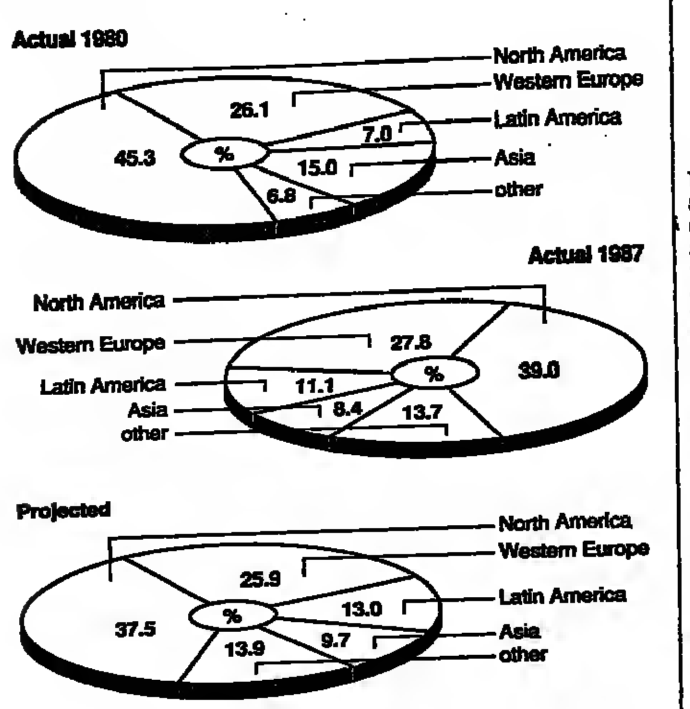
Anthony Bird Associates believes that the price falls in the aluminium market will keep the metal very competitive through 1990 and into early 1991. It expects 3 per cent growth next year and what it calls "a torrid 6 per cent in 1991."

The packaging sector shows most potential for expansion

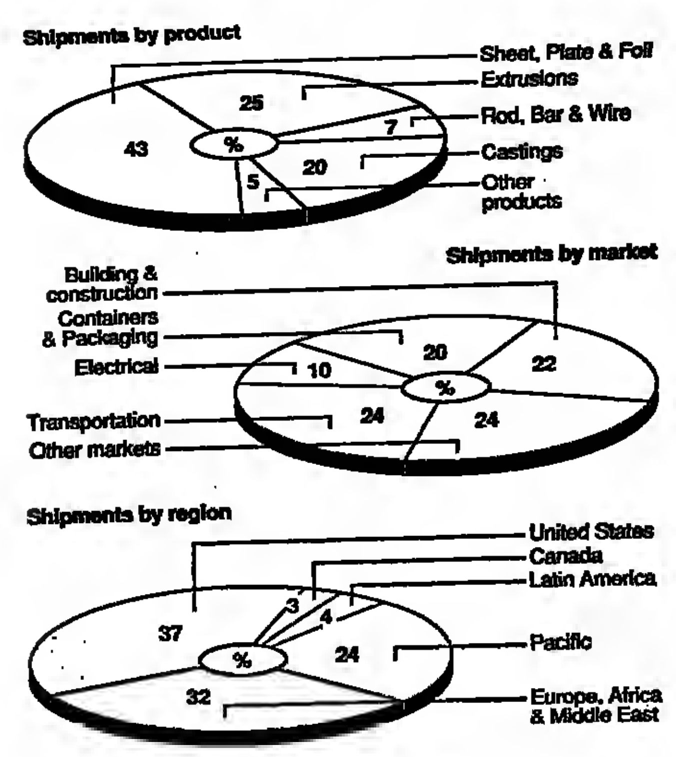
A note of caution, however, comes from Metals and Minerals Research Services, which is predicting consumption next year at 14.65m tonnes, an increase of less than 1 per cent over this year.

Western World Aluminium Data

Primary Production



Shipments of Semi-fabricated Aluminium products for 1988



Kenneth Gooding looks at prospects for recycling growth

How those beer cans may have even longer life

UNLESS RECYCLING can be stepped up, nearly all the expected future growth in aluminium consumption in western Europe – about 2 per cent a year or an annual 86,000 tonnes – will have to be satisfied by imports.

Currently about 35 per cent of total aluminium consumption in Europe is from reclaimed scrap – and the industry claims production from scrap saves about 95 per cent of the energy required to produce new metal.

Last year the amount of recycled aluminium registered was a record 1.6m tonnes. Already as much as 70 per cent of the metal used in electrical engineering, building and transport is re-used. So the industry believes that the sector with the greatest potential for recycling growth is the beverage can market.

This is also one of the fastest-growing areas of aluminium consumption, currently accounting for about 11 per cent of aluminium usage in western Europe.

About 6bn of the 15bn beer and soft drinks cans used in the region last year were made from aluminium. The industry has set itself the target of building its share of this particular part of the packaging market to at least 50 per cent by 1991.

It hopes to push the canners in the required direction by emphasising that the aluminium container offers better recycling prospects because it has enough scrap value for a collection and reprocessing infrastructure to be put in place. This is not true for steel cans, according to the aluminium producers.

In reply, the steel can makers point out that primary aluminium is so expensive compared with steel that it simply would not make economic sense to use it for beverage cans unless large quantities were recycled.

With an eye on the growing influence of environmental matters on commercial decisions, the British Steel Corporation in the UK has launched a £1m consumer campaign which emphasises that steel is the only common metal which is attracted to a magnet. So local authorities can recover more than 80 per cent of all steel that is available for recycling from normal household refuse.

The drink may not last, but the aluminium can is recyclable

The aluminium industry is confident, however, it can repeat in many parts of Europe its performance in the US. There about 75bn aluminium beverage cans are used each year, compared with only 3bn made from steel.

About 58 per cent of the aluminium cans are recycled and "we believe we can get that up to 75 per cent," says Mr George Cobb, president of Alcoa Recycling Company.

That will not be easy. Even in the 12 US states which have laws insisting that customers pay deposits on beverage containers, only 72 per cent are recycled.

The profit motive plays a large part in the aluminium industry's success in the US and will contribute to the effort in Europe.

Alcoa, the largest of the US aluminium companies, for example, uses about 600m lb of used beverage cans (which are known in the industry as UBCs) in the 1.5m lb of can sheet it produces each year. That makes a great deal of difference to the economics of its business because, even after collection, transportation and remelting charges are included, UBCs cost only about three-quarters as much as new can sheet.

As the economies offered by can recycling became apparent during the 1980s, Alcoa decided to invest in providing the technology and the facilities necessary to make the system work efficiently. In theory, it should be possible to build a closed-loop system in which an aluminium can goes from shelf to shelf through reprocessing in only 90 days.

The other North American aluminium companies played their part in building a network of 10,000 recyclers in the US. One educated guess is that about 30,000 jobs have been created in the UBC business.

The industry also takes heart from its experience in Japan, the largest market for cans outside the US and one which uses 5bn of them, 34 per cent made of aluminium. The recycling rate of the aluminium cans is 40 per cent.

In Canada, one of the world's major aluminium producers and home of Alcan, the world's largest producer of primary metal, the recycling rate is 60 per cent.

And there is no question that recycling will determine the future of the beverage container in Europe, according to Mr Alexander Wirtz, general manager, can recycling, Europe, at Alcan Deutschland.

Mr Wirtz is co-ordinating the efforts of five big groups – Alcan, Alcoa, Reynolds Metals (also a US group), Pechiney of France and VAW of West Germany – to promote aluminium can recycling in Europe. They have set up the Aluminium Can Recycling Association (Acra), which employs 25 permanent staff.

He points out that, if their efforts are to be worthwhile, the country concerned must use enough aluminium cans to make recycling viable. In West Germany, for example, fewer than 15 per cent of beverage cans are made of aluminium, so it would not be economic to spend recycling campaign money there for the time being.

The UK, on the other hand, is a prime target. Only about 3.5 per cent of the 4.25bn aluminium beverage cans used are currently recycled, mainly through a network of 260 collection-points at scrapyards. Members of Acra are already taking steps to boost the recycling rate.

Alcoa opened the first purpose-built can collection centre at its plant in Swansea's Enterprise Park in August this year. The centre, capable of handling about 5,000 tonnes of UBCs a year, cost £500,000 and will absorb £200,000 a year in running costs. But Alcoa already considers this money well-spent because can recycling rates in Swansea have jumped to 18 per cent.

Giving the commercial at the formal opening, Mr Alan Aylesbury, managing director of Alcoa, Swansea, said: "We estimate that today 40,000 tonnes of aluminium in the form of used beverage cans are buried in the waste stream every year in the UK.

"At the current scrap value of £500 a tonne or 1p a can, this represents an opportunity for collectors to earn £30m a year."

Collectors are typically charitable or youth organisations.

"We expect several more purpose-built recycling centres to be set up in the short to medium term," says Ms Peaches Golding, one of Acra's regional managers.

Ironically, Alcoa does not have the facilities to recycle the cans it collects at Swansea. It sends them off to rival Alcan's facility at Warrington, Cheshire. As its hefty contribution to the recycling efforts, Alcan is to spend £20m to install purpose-built can recycling plant on the Warrington site. The new facility should be ready in 1991.

Alcan is looking far ahead with this venture because initially it will have to import UBCs from the US for feedstock.

Elsewhere in Europe, Acra's efforts have built recycling in Greece to 20 per cent in less than four years. In Italy it has encouraged more than 500 municipalities to start campaigns and in these areas the recycling rates vary between 15 and 20 per cent. In Switzerland the rate is a little better at nearly 22 per cent.

The association looks with mixed feelings at Sweden. The recycling rate there is 85 per cent – achieved because the Government-imposed mandatory deposits on all containers. But the aluminium industry is not in favour of such schemes, which it feels are often trade-protectionist devices designed to protect local bottlers or canners.

An aluminium helicopter deck on an oil rig off the Norwegian coast. The large extrusions are supplied by Alusuisse Norge.

Corporate Profile: ALUSUISSE

Sophisticated packaging strategy

TWO EXAMPLES in particular show clearly how Alusuisse, otherwise known as Swiss Aluminium, is implementing its new strategy – which has seen it switch from relying mainly on primary aluminium production towards more sophisticated products.

First, there is the purchase of William Garfield, a small UK company with annual sales of about £8m. Then, there is the proposed sale by the end of this year of the Consolidated Aluminium (Conalco) subsidiary in the US which turns over about $400m a year.

William Garfield is one of four recent acquisitions by Alusuisse's new packaging division, set up almost exactly a year ago.

Garfield produces aluminium containers and boosts Alusuisse's share of the UK market for packages for baked goods and frozen products to about 25 per cent. Alusuisse already had a firm foothold in this market via its Star Aluminium subsidiary, based in Cheltenham.

Alusuisse subsequently acquired Cellu-craft, a US company with annual sales worth $70m in flexible customised packaging for the food market.

With these two acquisitions, plus others in West Germany and France, the group has built up a new strategic line of packaging specialities. And it has broadened its range of products which used to be based solely on aluminium.

Dr Theodor M. Tschopp, executive vice-president of Alusuisse, says: "We want to be more European and international in packaging. Big packagers, such as Nestlé, are in all countries of the Western world. They do not want a central supplier but local suppliers to meet local requirements.

"On the other hand, in packaging you need a critical mass – many products in many materials – or it is simply not worth talking to packagers like Nestlé.

"Now we are in a better position to offer our customers full-scale solutions to their packaging problems."

Packaging already accounts for about 30 per cent of the Alusuisse aluminium division's sales of about SFr6bn. About 35 per cent is taken by its primary products operations, which include bauxite mining, alumina production, primary aluminium smelting and making castings. The remainder comes from industrial products – the higher-value, down-stream items.

What does the sale of Conalco in the US tell us about Alusuisse? This big chunk of the group's primary business is expected to be sold by the end of this year. Conalco's operations include a $15m, 50,000-tonnes-a-year recycling plant which was only recently completed. This plant provides some raw material for Conalco's foil and rolling mills.

Dr Tschopp says Alusuisse does not want to remain in the "commodity" aluminium business in the US if the group has to stay in the second tier of products, even though Conalco's production costs are right. "It does not fit in with our new strategy of being among the market leaders."

So Alusuisse welcomed an approach from another organisation (so far it has not been identified) for Conalco. "But if it is not sold we will keep it – it's making money."

That goes for the rest of the aluminium business. This has been turned round much faster than expected since the gloomy days of deep recession in aluminium demand. In the spring of 1987 Alusuisse used half its capital and legal reserves to meet losses of more than SFr1.44bn accumulated in the previous two years.

The capital reorganisation was carried out by a new top-level management team installed in January 1986, at which time Dr Tschopp arrived.

Recovery would have taken longer but for the unexpected recent strength of aluminium prices. However, as early as April 1988 Alusuisse was promising the biggest capital investment programme in its 100-year history – an annual SFr500m for three years, for acquisitions and refurbishment of facilities – to be financed mainly from cash flow and reserves.

Recalling the days when the new executive management team, headed by Dr Hans Jucker, the president, moved in, Dr Tschopp says two main issues were considered: "how do our costs compare with the competition and where should we put our limited capital?"

Theodor Tschopp, executive vice-president, Alusuisse

This approach led to the closure of high-cost primary aluminium production capacity in the US via the sale of Alusuisse's majority stake in Ormet, which operated a loss-making smelter on the Ohio River.

There were also capacity reductions in West Germany and Switzerland. All told, the group's capacity was cut by about half to 370,000 tonnes a year but "we would not have reduced capacity if it had been low-cost," Dr Tschopp insists.

There were also disposals – some small fabrication and extrusion companies in the US as well as the substantial Maremont car components business, sold for $245m.

Dr Tschopp also recalls that three years ago the aluminium division had three main areas from which cash was haemmorhaging: the US, the Valais aluminium production facility in Switzerland and the smelter in Iceland.

"Now all these cash drains have been stopped."

Iceland has the benefit of low-cost hydro power and Alusuisse is leading a consortium which considered putting up a new smelter alongside the Swiss group's wholly-owned unit.

This would have proved too costly, according to Dr Tschopp, so instead a $500m investment in a new potline is being considered. That will take three years to complete after the go-ahead is given, "and we are not yet close to giving the green light."

Valais in Switzerland was turned round first by productivity improvements, then by streamlining the product mix, finally by a move to speciality rather than commodity aluminium products.

The Valais facility is supplied with energy from the group's own power stations for which the aluminium division pays market prices. "It is not extremely low-priced power but it is a secure, reliable source of supply for Valais at a reasonable cost," says Dr Tschopp.

Currently the group can supply about 70 per cent of its own primary metal requirements and has no intention of cutting primary capacity any further unless there is a steep increase in energy costs.

On the other hand, "to keep up with the competition we must work to keep primary costs down. That will take investment and investment often results in an increase in capacity."

The search for higher value-added products does not imply that Alusuisse will neglect its bauxite and alumina businesses. These "are an essential part of the chain," according to Dr Tschopp. "Integration is essential in the aluminium industry. For example, the price of alumina recently doubled because of shortages. That would wipe out your margins if you did not have secure supplies."

As for the products which are bringing Alusuisse higher margins of profit, Dr Tschopp points in particular to Alucobond, a composite material even less heavy than aluminium sheet and which is used for covering skyscraper buildings and for signage.

Another of his favourite products is bright sheet, produced from very high-quality alloy so that a very special, bright surface can be achieved. The same is true for litho sheet. Alusuisse is spending £37m at Star in the UK to expand its capacity to produce this material for the European market as a whole.

Looking to the future, Dr Tschopp says that Alusuisse's goal is for all its products to be recyclable. This is not simply because of the growing influence of the environmental lobby but also because Western Europe is short of primary aluminium capacity. He says: "All our building and transport products can already be recycled. We have recycling plants in France and Switzerland and we would prefer to get scrap back in Europe rather than have to buy new metal from South America."

Kenneth Gooding

David Blackwell *looks at the role of the London Metal Exchange*

Price-fixing volatility attacked

THE LONDON Metal Exchange is talking far more to metal producers and consumers than it used to, says Mr David King, the chief executive designate. It aims to be aware of their concerns and reflect them as contracts are developed.

This year it has held two seminars in London to create a dialogue between the exchange's traders and the metals industry. This can be seen as a brave policy, for the seminars have brought widely-held criticisms of the LME much more into the open.

Both seminars – the first was on zinc and the second on all base metals – attracted attacks on the volatility of LME prices. The LME is widely used as the price-setting medium for the metals industries – the European Producer Price for zinc, for example, was dropped at the beginning of this year following the successful launch of the Special High Grade zinc contract.

It has been a standard joke in the aluminium industry that LME metal is for buying and selling, but not for using. Earlier this month, the issue was brought up at the LME seminar on base metals by Dr Theodor Tschopp, executive vice-president of Alusuisse.

He accused the LME of doing a poor job in setting aluminium prices since trading started in 1978. There had been extreme price volatility, resulting in significant real costs for both consumers and producers, he said. The LME price had, over the past few years, moved from under $1,000 a tonne to more than $3,000, a range of more than 300 per cent, while fluctuations in consumption had been less than 10 per cent.

"True, the world as a whole is volatile and all prices fluctuate, but the fluctuations facing aluminium have been very violent and the damage has been very real. Wild metal prices have damaged us much more severely than the wild share prices of October 1987 damaged the world economy," Dr Tschopp asserted.

Changes in the structure of the aluminium industry had contributed to the price volatility. Integrated companies, with their own downstream operations, controlled about 90 per cent of primary aluminium smelting capacity in the early 1970s but now controlled under 65 per cent.

The independent smelters who had increased their market share at the expense of the integrated groups relied on traders to place some of their production. Traders (including the Japanese trading houses) may be handling at least 30 per cent of the metal marketed. "Traders generally take a short-term view of markets," said Dr Tschopp.

Most aluminium from producers was still sold at negotiated and relatively stable prices, adjusted at monthly or quarterly intervals, "but the price negotiated at any moment is heavily influenced by the current LME quotation."

Price volatility had made it difficult for producers to plan short-term production, said Dr Tschopp, but he could think of no alternative to the LME aluminium price. He urged the LME to encourage larger volumes of trading by producers and consumers for hedging purposes, to help eliminate manipulation of the market.

According to Mr King, this is exactly what the LME is trying to do – and the LME seminars themselves are part of the process. "First you must have a dialogue – you must listen and understand the concerns of existing users of the LME," he says. "Second, you must educate the potential new users that they can mitigate against their exposure to price volatility by hedging."

Education and dialogue are key words in the formation of the LME's new image. But in any case the exchange can hardly be accused of standing still recently as far as aluminium has been concerned. The aluminium contract now trading – for 99.7 per cent pure metal – was launched in June 1987 to bring the exchange into line with the international aluminium industry. Until the end of December last year the new contract was trading in tandem with the old contract for 99.5 per cent metal, which was being manufactured only in the Soviet Union and Eastern Bloc countries.

The sterling-based 99.5 per cent contract was killed off by the LME because it was believed to be inefficient and open to squeezes. The exchange now is confident that it has got the new contract – the first to be denominated in US dollars – broadly right, "but we will continue to fine tune it," says Mr King.

The LME has also expanded its network of overseas warehouses to which metal can be delivered. The Singapore warehouse – the first LME warehouse outside Europe – has attracted "significant usage – 20,000 tonnes is not unusual."

Further warehouses in Japan became good for delivery in July this year, and although they have not been used much, the exchange is well pleased with the move. "It's early days in Japan," says Mr King. "They have to go through a learning curve to understand the advantage of using them."

Japan is a huge consumer of aluminium, and its companies should be able to deliver unwanted metal against the LME contract, and as easily retrieve it, without any transport delays.

Mr Christopher Green, chairman of the LME, says that the expansion of the warehouse base "is one of the most important things that can happen" to smooth out price fluctuations. Mr King gives a general rule of thumb: "the more warehouses, the more stable the market is likely to become."

If it were not for the LME's current problems with the Commodities and Futures Trading Commission (CFTC) it would now be actively seeking warehouse sites in the US. As things stand, it would be pointless attracting more business from the US (currently about 16 per cent of the LME total and worth $10bn a year) if it were only to increase the regulatory cost burden on LME members. If agreement is reached with the CFTC on segregation of client accounts and other matters, US warehouses will shortly follow.

The reporting of stocks in LME warehouses – now announced once a week – has also come under fire. Mr Green is wary about the possible introduction of daily reporting of stocks. "The chief anxiety is that when stock levels are very low, big shipments might take place on one day and frighten the market."

A five-day moving average of stocks has been suggested to try to even out up and down swings and make movements less dramatic. "There might be a case for looking at this."

Whatever the LMWE board does, at the end of the day it is the market users who set the price of any particular metal, Mr Green asserts.

Meanwhile, the LME has great confidence in the future of its aluminium contract. While it is not challenging copper to be the LME's flagship contract, it is a good second, with 30 per cent of the trading against copper's 45 per cent.

But says Mr King, copper has been around for so much longer. "Aluminium has only been around for 10 years – it's early days."

Corporate Profile: PECHINEY

New light on Dunkirk project

PECHINEY of France startled the aluminium industry last November by revealing it had agreed to take over American National Can of the US for $1.2bn and that it was also to build a primary aluminium smelter at Dunkirk in France, to come on stream in 1991.

The American Can deal turned Pechiney, already the world's third-largest aluminium producer, into the world's top packaging group.

This follows the trend among the big aluminium producers to move more of their production downstream to higher value-added products so as to counter the highly cyclical nature of demand for primary metal.

However, Pechiney's plans for the Dunkirk smelter, to cost FFr4.5bn (about £410m), seem to represent a reversal of the trend for aluminium production capacity to be shifted towards areas with low-cost energy, such as Canada, Venezuela or the Gulf.

This raised questions in the minds of some competitors. Surely, they hinted, Pechiney could consider a smelter at Dunkirk only if it was to be indirectly subsidised by another state-owned French business, Electricité de France, a partner in the project as well as its power supplier?

There were questions, too, about the American Can deal: was the price too high; would not Pechiney crumple under the huge debt burden it was taking on?

Mr Jean Martin Folz, Pechiney's ebullient president, sheds fresh light on the Dunkirk project. He suggests that the industry as a whole has been rethinking its primary aluminium production strategy during the past two years.

While it makes sense to produce basic aluminium as cheaply as possible anywhere in the world where there is low-cost energy, Pechiney produces very little commodity aluminium. Much of its output is high-quality product, tailored to the needs of individual large customers. These customers are located in the industrialised countries and they prefer to have their supplier nearby.

They also want security of supply from countries with political and fiscal stability, countries where the power supply is not just cheap but also reliable, Mr Folz says.

The Dunkirk smelter will offer this security.

As for accusations about hidden subsidies, Mr Folz says that the European Commission, quite rightly, asked some pointed questions about the Dunkirk project but has given it the all-clear, albeit with some tough conditions about the power supply contract.

Electricité de France, like other power companies, had over-estimated future demand and for some time would have excess nuclear power capacity. So it was able to offer power to the Dunkirk smelter "at a special price" in the early years of the smelter's life.

"We can prove conclusively that EdF does not make a loss on the deal," says Mr Folz.

Jean Martin Folz, Pechiney's president

Dunkirk's proposed annual output of 200,000 tonnes will partly replace production lost from the closure of two out-of-date Pechiney smelters in France, at Rioupéroux in the Alps and Noguères in the south-west and will help to keep the group's annual output of primary metal at about 1m tonnes. The group's share of the expansion of the Becancour smelter in Canada, in which Pechiney has a 25 per cent interest, will also contribute to future needs.

Pechiney is the second-largest supplier of aluminium ingot to the free market after Alcan of Canada, "and we intend to remain in that position," says Mr Folz.

This determination springs from the new management's careful review of Pechiney's strategy over several months, starting late in 1986.

The group had already changed dramatically in the previous 10 years. Its steel and chemical interests were split off at the time Pechiney (formerly known as Pechiney Ugine Kuhlmann) was nationalised in 1982.

The deep recession in the metals markets had forced the group to streamline and rationalise what remained. It once had 10 primary aluminium smelters in France alone. When Dunkirk comes into operation it will have only five. But even before the ANC purchase it had nearly 50,000 employees.

Pechiney's management team is headed by Mr Jean Gandois, the chairman and chief executive, who came from Rhone-Poulenc, the state-owned chemicals group. It has reorganised Pechiney into three divisions: aluminium, packaging and engineered products.

In the process, Mr Folz says, the management decided Pechiney was not large enough to compete effectively internationally. It needed to expand by acquisition – but only in those areas which offered better-than-average growth prospects while also being related to Pechiney's existing operations.

The choices were obvious: Pechiney's packaging business, Cebal, would be expanded, and so would its industrial division which includes Howmet, based in the US and a world leader in precision castings of super-alloy, titanium and aluminium alloys used primarily in jet aircraft and other gas turbine engines.

Consequently, in 1988 Howmet added an important dimension to its business by acquiring Cercast, the world's leading producer of aluminium castings. Then it moved upstream when it acquired a key supplier, Tempcraft, which makes tooling, injection machines and fixtures.

As for Cebal, in 1988 it had already acquired eight packaging companies before Pechiney dwarfed everything that had gone before with the American National Can purchase.

Mr Folz insists that Cebal and ANC are a marvellous fit. Their products are aimed at different market sectors and, geographically, their markets rarely overlap.

The ANC deal has given the size the management was looking for by increasing annual sales by about 50 per cent from FFr50bn in 1988 to an estimated FFr76bn this year. It also lessened the group's dependence on its aluminium operations by lifting the contribution of packaging to total sales from 9 to 45 per cent.

Pechiney recently reported net income of FFr1.729bn for the first half of 1988, up from FFr744m in the first six months last year, before the ANC purchase.

Pechiney also revealed this month it is to spend FFr560m to boost sheet aluminium capacity at its Neuf-Brisach factory in eastern France from 265,000 to 350,000 tonnes a year, making it one of the four biggest facilities of its type in the world.

Neuf-Brisach produces aluminium can stock but Mr Folz stresses that the packaging business was not expanded because Pechiney wished to sell more aluminium. "American National Can uses 600,000 tonnes a year of can stock and we are not in a position to deliver that, nor do we intend to. It would cause such disruption that it would be detrimental to everybody in the market, including us."

He is equally forceful in dealing with other suggestions that Pechiney might have bitten off more than it can chew with the ANC purchase.

Did the French group pay too much? Mr Folz says the price represented a price-earnings ratio of 15 compared with the average of 12 for quoted US packaging companies and "this does not seem a very high premium to pay for the world's biggest packaging group."

Pechiney has also moved quickly to reduce the debt burden arising from the ANC acquisition. It raised FFr6.4bn from the issue of new equity in March this year, a capital raising exercise which included floating off 25 per cent of Pechiney International, a new subsidiary set up to include the packaging operations, Howmet and the aluminium smelters outside France.

Another FFr1.5bn will be raised from the sale of the group's elegant headquarters building in the centre of Paris and a move to rented accommodation to the west of the city.

By the end of this year, Mr Folz says Pechiney's debt-equity ratio will have been reduced to a manageable 1.3, the same as before the ANC purchase. The group wants to keep debt at about that level and in future intends to rely on its cash flow to fund capital expenditure of about FFr3bn a year and further acquisitions.

In spite of the need for a period of consolidation after the ANC purchase, Pechiney is still in the market for more packaging companies.

Kenneth Gooding

Kenneth Gooding considers the future of the European industry

Recycling metal cuts imports

THE European Community seemed to face the prospect that it would go the way of Japan and in the long term lose practically all its primary aluminium production capacity before Pechiney of France came up with its plan to build a FFr4.5bn smelter at Dunkirk.

The European Commission had some reservations about the deal between Pechiney and Electricité de France, which will be selling nuclear power to the smelter, but must otherwise have wholeheartedly welcomed the project.

The Commission is interested in keeping an integrated aluminium industry in the Community and the state-owned French group's proposed 200,000 tonnes a year smelter will go some way to make up for the capacity reductions which were particularly severe during the early 1980s, when aluminium prices were low, and which have continued to the present day.

Mr Frederick Demler, analyst with the Drexel Burnham Lambert securities house, suggests, for example, that another 400,000 tonnes of primary aluminium capacity will disappear from Western Europe by 1991.

The trend is for primary production to move to low-cost energy areas

In contrast, aluminium consumption has continued to grow and has left Western Europe's capacity to meet it far behind.

This is of more than passing concern to the Commission because aluminium is produced or fabricated in nearly all the EC countries, directly employs more than 100,000 and many of the plants are located in economically less-developed areas. So the industry often makes a contribution to improving or developing regional economic structures.

But the aluminium industry operates on a global scale and the trend has been for production of primary aluminium to move to areas of low-cost energy such as Canada, Venezuela or the Gulf. Western Europe is in danger of becoming the non-communist world's high-cost primary aluminium producer, taking over from the US where painful rationalisation has brought down production costs with a bump.

Partly reflecting currency fluctuations, the cost of producing aluminium in Europe has risen from 40 to 50 cents a pound in the mid-1980s to 70 to 80 cents. In the meantime, worldwide costs have risen by 20 per cent to 54 cents a pound.

Cost containment stimulated the 1986 merger of two of Norway's main producers: the state-owned ASV and the aluminium division of the energy and fertiliser group, Norsk Hydro, itself 51 per cent owned by the Government. That brought together into the new Hydro Aluminium company some 620,000 tonnes of primary aluminium capacity, as well as a wide network of fabrication and extrusion units throughout Europe.

Pooling of the four smelters with Norsk's energy resources should cut costs and provide a strong downstream product base for the new company.

Before the Pechiney decision, it seemed likely that the only significant addition to Western Europe's primary aluminium capacity would come in Iceland, a country with abundant hydro power.

However, Alusuisse, the Swiss group which leads a consortium interested in the Iceland project, says it would not have made economic sense to build a new smelter. Instead, the consortium, which includes Austria Mettal, Granges of Sweden and Aluminet, a subsidiary of Hoogovens of Holland, may build a new potline at Alusuisse's existing smelter at a cost of $500m.

According to the European Aluminium Association, primary aluminium output in Western Europe last year rose by 1.2 per cent from 3.525m tonnes in 1987 to an unprecedented 3.567m tonnes. Meanwhile, consumption rose by 4.6 per cent from 4.056m tonnes to a record 4.242m tonnes. Most of the increase in demand came from France, Italy, West Germany and the UK.

Countries also monitored by the association include Austria, Greece, Iceland, the Netherlands, Norway, Spain, Sweden, Switzerland and Yugoslavia.

To make up for the shortfall between production and demand, there was some drawdown of stocks. But most of the difference was made up by imports of primary metal which reached a record 450,000 tonnes.

As stocks are near the lowest-possible level, the association reckons that imports will have to climb by another 40,000 tonnes this year to fill the expected gap between demand and supply.

"We'll have a unique market of 320m people, far more than that of the US"

It suggests that growth in demand for primary metal will slow down considerably to about 1 per cent. However, over the next five years the average level of demand growth should be at least 2 per cent.

There is, therefore, every incentive for the European industry to help cut imports by recycling more aluminium and it is taking steps to speed up the development of the secondary (or scrap) aluminium sector. A record 1.6m tonnes of recycled metal was used in Europe last year.

"We expect this trend to continue in the years ahead, not only because of the shortage of primary aluminium capacity but also the increasing volume of scrap resulting from aluminium industrial goods ending their service life," says Dr Theodor Tschopp, chairman of the association.

There is also no lack of enthusiasm in the aluminium industry about its prospects after 1992 when tariff barriers within the European Community are due to be removed.

"We hope that, after negotiations between the EC and the Efta countries, we shall have available to us a unique market of 320m people, far more than that of the US," Dr Tschopp points out. "The industry will be able to benefit from cost savings through economies of scale. It will justify and encourage increased research and development expenditures, leading the European aluminium industry to another strong, innovative thrust," he suggests.

Privately, other executives suggest that after 1992 it is likely that joint ventures involving several companies will spring up

They also hold out some hope that the industry's energy costs will be kept in check as the EC and Efta countries move closer together.

The major aluminium producers some time ago reorganised their European operations to take full advantage as the Community moves towards further harmonisation.

Mr David Morton, chairman of Alcan, says, for example: "1992 won't have an enormous impact on us as a company because we are already working as an integrated business. But 1992 should give the European economy a second wind from which we can benefit enormously."

However, Dr Tschopp of the Aluminium Association believes that there are five important areas where the industry can still do more to help itself.

First, the industry must speed up technical development, to produce higher-quality products, as well as new materials to meet changing industrial demands.

Next, the industry will need to make use of its new-found financial strength, carefully choose where it invests its cash and be prepared for new partnerships to respond to changing market conditions.

Third, an adequate supply of primary metal must be secured to guarantee the smooth operation of the sophisticated European aluminium transformation and fabricating plants.

Fourth, the industry must develop new markets such as beverage cans in Europe.

Finally, says Dr Tschopp, "we must do everything to ensure that aluminium recycling works all over Europe and that it is accepted and supported by the consumers."

EAST-WEST TRADE

Erratic, thanks to China

WHAT EAST-West trade in aluminium lacks in volume, it has made up, in recent years, in volatility. Since 1982 the balance has ranged between net exports by the non-communist world of 35,000 tonnes, in 1985, and net imports, in 1988, of 400,000 tonnes. Even 1988's record figure, however, represented less than 3 per cent of Western world supplies.

The joker in the pack has been China. While the West's net imports from other communist countries have risen fairly steadily from 227,000 tonnes in 1982 to 305,000 tonnes in 1988 – according to estimates by Shearson Lehman Hutton's London metals team – its trade with China has varied from net exports of 280,000 tonnes in 1985 to net imports of 95,000 tonnes in 1988.

Plausible explanations were offered by Western analysts

In its annual review of the World Aluminium Industry 1989, Shearson points out that flows of aluminium from the non-communist world to the communist world "were not especially significant until 1985 when China dramatically emerged as a major buyer." In that year it imported 186,000 tonnes from the West while exporting only 44,400 tonnes.

After registering net imports of 164,000 tonnes and 110,000 tonnes in 1983 and 1984 China's purchases "exploded" to 280,000 tonnes in the following year – according to estimates by the World Bureau of Metal Statistics – only to fall back to 110,00 tonnes in 1986. "And the confusion was compounded further in 1987," said the Shearson review, "by the fact that Chinese imports slumped so far as to make the country a net seller."

When China continued as a net exporter in 1988, two plausible explanations were offered by Western analysts. The country could have overestimated its demand in 1985 and then allowed excessive stocks to be worked off in subsequent years. Alternatively, the development of domestic production under the 1986-90 five-year plan could, it was suggested, have made unexpectedly good progress towards its goal of doubling output to more than 800,000 tonnes.

But Shearson noted in its review that Chinese output was reported to have reached 610,000 tonnes in 1987, "barely two-thirds of domestic consumption," and added that, even if the five-year plan target had been reached last year, "this is very unlikely to have matched demand."

Shearson also suggested a third explanation.

"There are strong indications that aluminium was being sold in 1988 by certain (Provincial Chinese) agencies while fabricators (in China) were desperately short of supplies," as they found the high world price of the metal "hard to resist."

Shearson said that had been true of other raw materials too, "and as the year wore on the central authorities began to crack down and then to ban completely the export of one metal after another, including aluminium."

While regarding China's high 1985 imports as an exception, Shearson nevertheless considered the net exports of the next two years as "anomalies."

From 168,000 tonnes in 1982, Canada's total fell to 4,900 in 1987

"With exports currently banned it is almost certain that China will revert to being a net importer this year," it said in the 1989 review, estimating the figure for the year at 75,000 tonnes.

Apart from the extraordinary year of 1985, the greater part of East-West trade in aluminium has continued to represent non-Chinese trade, specifically non-communist world imports from the Soviet bloc, which have increased steadily during the 1980s, probably exceeding 300,000 tonnes for the first time in 1988, according to Shearson's estimate.

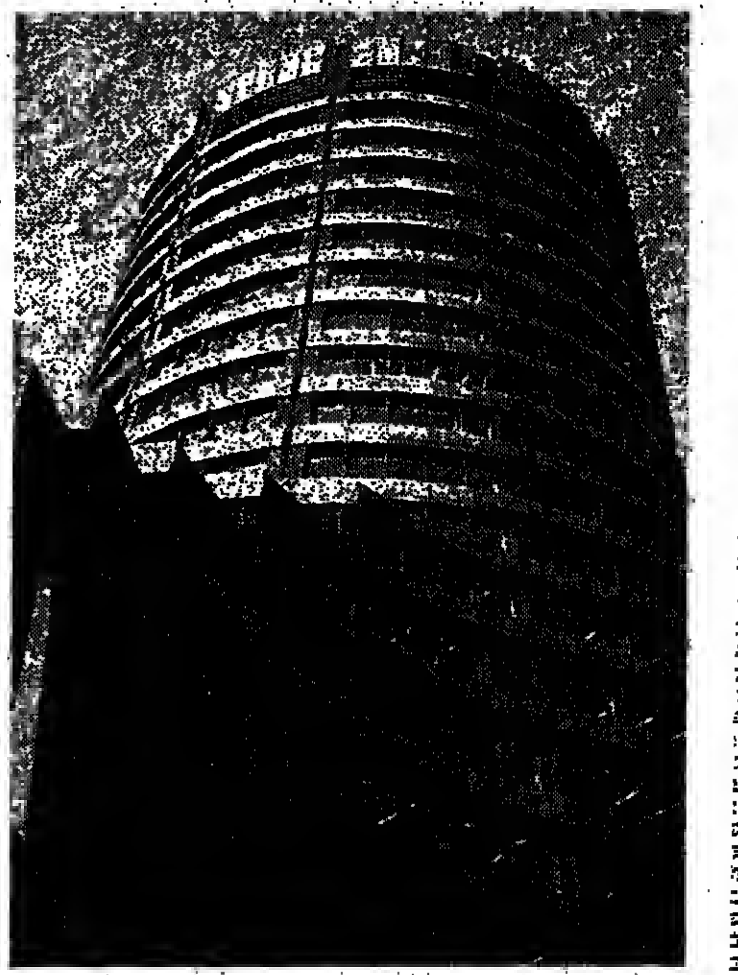
Although it saw non-Chinese Western imports holding about level this year, Shearson projected in its review that the overall figure would plunge from last year's 400,000 tonnes to about 230,000 tonnes in 1989, as China switched from being a net exporter of 95,000 tonnes to a net importer of 75,000 tonnes. And it suggested a similar pattern was likely for next year.

Western supplies of aluminium to the communist world have been as erratic as China's in recent years. The high figure was 1985's 355.8m tonnes (inflated by the surge in Chinese buying), according to the World Bureau of Metal Statistics, but by last year, Shearson estimated, the total was down to only 80,000 tonnes. Yugoslavia was the steadiest supplier, with a range between 40,600 tonnes in 1987 and 68,200 tonnes in 1985. In contrast Canada's total, which reached 168,000 tonnes in 1982, had been cut to a mere 4,900 by 1987. The US figure was 56,000 tonnes in 1988, but in 1986 and 1987 it was negligible.

This trade could increase dramatically, however, once the the big communist powers get to grips with meeting pent-up demand for consumer durables, according to Mr David Morton, chairman and chief executive of Alcan. He describes the potential for sales to China and the Soviet Union as "enormous," while admitting that the prospect remains distant as the two countries "struggle painfully with their problems of transition from a state-controlled to a more mixed or even a market economy.

"Our own recent contacts with the Soviet Government indicate a tremendous hunger for aluminium consumer goods and the technology to produce them cost-effectively," Mr Morton told a seminar in Montreal last month.

Richard Mooney

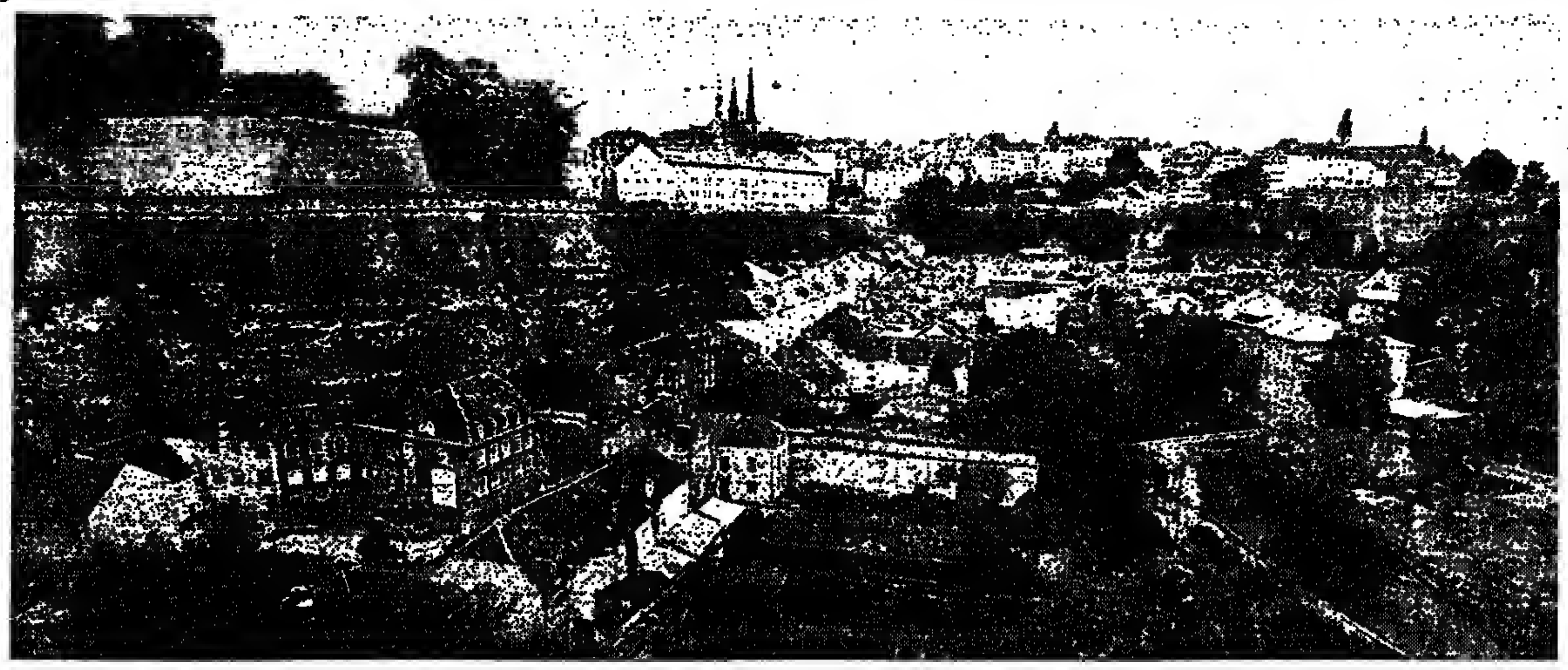


The aluminium facade – anodised using the Colinal process – of the Bank for International Settlements, Basle, Switzerland

SECTION IV

FINANCIAL TIMES SURVEY

There was a new edge to this year's birthday celebrations sharpened by the desire to maintain the duchy's financial independence. This was added to a general feeling of well-being about the economy. Tim Dickson reports on Luxembourg's attractiveness



The famous Petrusse valley which runs through the heart of Luxembourg City, the capital of the Grand Duchy

THE GRAND DUCHY OF LUXEMBOURG

Financial fizz of the festival

ANNIVERSARIES in Luxembourg have a habit of being defiant gestures, pointed reminders of the country's jealously guarded independence.

The duchy's 100th birthday party in April 1939 was tragically spoilt when invading German armies blew out the candles. This year's 150th anniversary bash, attended by foreign dignitaries including the prime ministers of Luxembourg's neighbours — turned out to be a happier and more auspicious event.

Those politicians will almost certainly have detected a new edge to this year's festivities. The message "hands off our financial centre" was clearly emblazoned on Luxembourger's hearts, in place of the unspoken "hands off our country" of 50 years earlier.

The collapse of the European Community's attempt to impose a uniform withholding tax on bank savings provided the best possible excuse to prolong the unofficial celebrations of 150 years of nationhood. The tax would have stemmed, if not reversed, the flow of funds into Luxembourg and undermined a foundation of its prosperity.

It has added to the feeling of general well being, satisfaction and dare one say it, smugness which pervades the 999 square miles of the duchy.

The rejoicing is understandable. By comparison with the sluggishness between 1973 and 1984 under the combined weights of the steel and oil crises, the last few years saw growth rates generally higher than other EC countries.

The expansion of gross domestic product exceeded 5 per cent in 1988, mainly thanks to rising foreign demand for Luxembourg steel. According to the Organisation for Economic Co-operation and Development in its country report published last month: "The figure could be maintained at around 3½ per cent in 1989, decelerating slightly to 2½ per cent in 1990."

Robust employment growth has helped keep unemployment to a minimum. Inflation has been among the lowest in the OECD area, although there are signs that it may be rising. Buoyed up with revenues from the burgeoning financial services sector the trade deficit (LuxFr28.3bn in 1988) has consistently been translated into a healthy current account surplus (LuxFr38.7bn last year).

Luxembourg is triply blessed at the moment since the three main legs of its economy, steel, banking and other industry, proclaim good news.

The iron and steel industry, once a third of Luxembourg's wealth and half its employment, accounts for almost 7 per cent of the labour force and 8 per cent of the total value added. Output of steel last year increased by 11 per cent, bringing it back to 1986 levels. This performance reflected in the excellent results of Arbed, the country's leading steel producer, as its cash flow rose from LuxFr2.4bn in 1987, to LuxFr6bn last year.

Arbed's fleet footedness in the face of the steel crisis and its diversification programme suggest that it will be in better shape to withstand the next recession.

Luxembourg's industrial policy is suddenly paying higher dividends. Lacking the extensive armoury of grants, tax holidays and other inducements deployed by more job hungry regions of the EC, the duchy has only managed to attract a trickle of new investments in the last few years.

Much to the amazement of rivals, however, the authorities announced earlier this summer a LuxFr5bn manufacturing project by TDK, the Japanese tape company, along with the promise of 500 new jobs.

The country's location, stability and workforce were among the reasons cited but some believe the fact that Luxembourg can afford to be less strict about employment targets was a consideration.

The financial sector, however, which contributes 20 per cent of the duchy's tax revenues, continues to make the strongest running. Banking institutions continue to roll in, carefully nurtured by a government which has established a liberal legislative and regulatory system. They number approximately 160, compared to 143 at the end of last year and a mere 37 in 1970.

Luxembourg has moved on from its earlier position as a somewhat unsophisticated booking office for international loans. The recent growth of private banking for the wealthy continues apace.

Partly because of this trend, but mainly thanks to EC legislation, this year's financial sector growth has been fuelled by a surge of new investment fund business.

According to the Luxembourg Monetary Institute (IML) there are more than 660 approved funds, of which roughly half have been given local approval to market their services throughout the EC.

The OECD comments: "The Grand Duchy now ranks as one of the world's most attractive financial markets," — the Cassandra-like voices warning against the risks of hubris have not yet been drowned.

A country whose recent national and European election campaigns were dominated by demands that private sector pensions should be upgraded in line with the extraordinarily generous five-sixths of final salary received by the state's civil servants appears dangerously sated with prosperity.

The abandonment of the EC plan to challenge one of Luxembourg's special attractions — the lack of a withholding tax on dividend or interest payments for non-residents — was hailed as a local victory.

Everyone in Brussels, however, knows that the real reason for the proposal's defeat was the distinctly self interested change of heart by West Germany.

Luxembourg's prized banking secrecy laws — cheekily strengthened in March this year as the tax battle was fizzling out — remain a target for EC disapproval and there is some deep-rooted nervousness about what the Commission's alternative plan for closer mutual assistance between tax authorities holds in store.

Luxembourg politicians are at great pains to stress that they have no truck with criminal activity, but the dictum that a man's bank account is his own business is more deeply ingrained than the idea that an Englishman's home is his castle.

Scandals such as last year's BCCI affair — involving allegations of drug laundering which will soon be heard before the US courts — brought Luxembourg some unwelcome and indeed at times unfair publicity because the bank's holding company parent is based in the duchy.

But if Luxembourg has been relatively free of similar upsets over the years there are those in the financial community who worry that the dizzy pace of growth is inviting disaster.

One experienced auditor, for example, is convinced that there is insufficient investment in some bank backroom operations both in terms of the available computer technology and the training of staff. The high cost of skilled labour, exacerbated by the surprisingly high level of personal taxes, are seen as serious disincentives.

The problem for the authorities, meanwhile, is to steer a delicate course between applying a sufficiently light regulatory touch while ensuring that there is adequate supervision of the mushrooming number of banks and investment funds.

These worries aside, the faltering progress being made towards a single European market by 1992 — and the liberalisation of capital movements due to take place on January 1 next year — suggests that the duchy will again have to adjust to changes in the international environment.

Even if political attempts to harmonise are unsuccessful, the flight of capital which different tax rates will inspire suggests that the market itself will ultimately react.

Luxembourg is well placed to take advantage of investment fund growth — but what happens when other member states wake up to the UCITS directive and adapt their own domestic legislation?

As a small country vulnerable to sudden economic and political swings beyond its control, Luxembourg's Christian Social/Socialist coalition is understandably cautious about investing its almost embarrassing budgetary surpluses.

Opposition politicians, however, argue that more money should be spent on bringing forward the next round of personal tax reductions (planned for 1992) or on further improvements to the duchy's inevitably overstretched infrastructure.

For all the economic challenges ahead, the threat to Luxembourg's culture disturbs some of the locals. No less than 27 per cent of the resident population is foreign, the highest rate in the world. The problem is compounded by the increasing number of "frontaliers," tha near 30,000 Belgians, French and Germans who cross the border every day to work in the duchy.

According to Mr Georges Als, head of Luxembourg statistics at the Government department Statec and a demographic expert, there are 1,000 more Luxembourg deaths than births each year and the fertility rate (1.45 children per woman per lifetime, compared with the 2.1 needed to maintain the population) is one of the lowest in Europe.

"In the long run it poses the question of the survival of Luxembourg as a nation," he says.

CONTENTS

Editorial production: Phillip Halliday

KEY FACTS

Currency: Luxembourg Franc 100 Centimes = LuxFr1
Population: 372,100
Area: 2,586 sq km
GDP: LuxFr223.5bn
Trade exports: LuxFr226.2bn (1987)
Imports: LuxFr223.7bn
Government revenue % GDP: 38.6
Government debt % GDP: 8.6
GDP by origin: Agriculture 2.6%, Industry and energy 29.6%, Construction 5.6%, Other 62.2%
GDP per capita: US$16,094 (1987)
Real GDP growth: 3.2% (1986), 2.5% (1987), 3.3% (1977/87)
Inflation: 1.4% (1988), -0.1% (1987), 5.1% (1978/88)
Purchasing power parities: 14,705, Belgium 11,802, France, 12,803
Cross-border workers: 14% of domestic employment
Exports: LuxFr186.4bn (1988), LuxFr163.3bn (1987)
Imports: LuxFr214.7bn (1988), LuxFr196.6bn (1987)
Current balance: +LuxFr38.7bn (1988), +LuxFr34.3bn

John Davies and **Haig Simonian** report on a banking sector which is provincial and yet has an increasingly international flavour

The gentle waft of pastoral air in the financial centre

LUXEMBOURG seems to defy logic. It is provincial, yet international. It is tiny, yet prominent. It clings to medieval memories and a grand ducal dynasty, while espousing a Europe of free, liberal-minded citizens.

Foreign bankers smile at local managerial practices, yet things get done. Bankers and politicians put their heads together to sort out problems. They are determined that Luxembourg should hold its own as an international financial centre in spite of competition and rapid change. And so far it has managed to do so – with a combination of resourcefulness and good fortune.

All the signs are that banking is buoyant. So much so that the city of Luxembourg, which dominates the villages and countryside of the duchy, is bursting at the seams.

With more foreign bankers arriving, it's getting harder to find office space in the traditional areas on either side of the spectacular gorge running through the city. Rents, according to one senior banker, have trebled in the last couple of years, though they are still low by some international standards. As a result, banks and other businesses, such as investment funds, have begun to move headquarters further out.

Banque Internationale à Luxembourg, the country's oldest privately owned bank, has moved into a new complex just beyond the city centre. Employees and board members have been gingerly wending their way along unfamiliar corridors and paths strewn in places with cable and building materials.

Banque Générale du Luxembourg, an old established local rival, has yet to face this ordeal. Within the next few months, it will start building headquarters in the Kirchberg area, near European Community buildings. Other big European banks are reputed to have plans to move to the Kirchberg.

It's not just banks that are putting pressure on property in Luxembourg. The city is host to various EC institutions, including the Court of Auditors, the development-oriented European Investment Bank and a parliamentary secretariat. But banking and other financial services are providing a lot of the momentum. Over 160 banks have set up in Luxembourg with universal banking licences, 16 arriving last year and as many again this year.

Luxembourg is fortunate to be benefiting from the upsurge in private banking services for affluent clients. With the waning of syndicated lending, this has become one of the magnets drawing banks and other financial specialists to the duchy. They have mostly set their sights on less wealthy clientele than the Swiss traditionally seek.

Financial activities also range over foreign exchange, Eurobonds, trade finance, precious metals and other fee generating and credit business. Last year was an "exceptionally profitable year" for the banks, according to the Luxembourg Monetary Institute, with net earnings up 52.6 per cent.

These days even the British are no longer aloof. The Trustee Savings Bank and Lloyds Bank both have local operations.

The signs are that banking in the duchy is buoyant. The politicians and bankers are determined that Luxembourg should hold its own as an international financial centre, says John Davies, and foreign bankers who smile at local managerial practices, are keen to join in

Mr Manliffe Goodbody, local head of Lloyds, says the bank is building up the twin areas of funds administration and private banking. It launched a "liquidity fund" in May and will launch an international portfolio fund, predominantly in bonds, early next year. In private banking it seeks clients with a minimum of £50,000. Mr Goodbody says the operation is not necessarily looking for British clients. "Many do not have any British connection," he remarks.

To keep Luxembourg going on an even keel will be a great test for local politicians and bankers. Finance is the biggest source of jobs and supplies 20 per cent of government revenue. To bolster its position, Luxembourg is trying to diversify its financial services. It swiftly implemented the EC directive on investment funds, encouraging their growth to 584 by June. It is also building up such niches as reinsurance and related asset management.

Luxembourg is taking a firm line on the sensitive issues of taxation and bank secrecy, though it has indicated it wants to accommodate its EC partners, especially in barring criminal money.

Politicians and bankers ceaselessly deny that Luxembourg is a tax haven or "fiscal paradise." Its financial prominence, they say, does not rest on such foundations. At most they concede that, government finances being sound, it is possible to encourage business through a favourable framework, such as that available to holding companies and the arrangements deferring tax burdens on reinsurance.

The dust has settled after the row over the Commission plan to impose a 15 per cent withholding tax throughout the EC. Luxembourg was adamant it would veto the scheme, which would have taxed at source the investment earnings of its discreet international clientele.

Luxembourg was backed by Britain, which also lacks a withholding tax, and eventually by West Germany, which abandoned its own ill-fated 10 per cent withholding tax. Luxembourgers argue that capital flight from West Germany shows that such a tax is unrealistic. It would simply encourage money to flow to Switzerland or more distant havens.

Luxembourg has always argued that investor's tax affairs are a matter for themselves and for the authorities of the country of residence. It can't and won't act as tax collector or fiscal policeman for its neighbours.

With French authorities grumbling, Luxembourg enacted a law earlier this year to show its determination to preserve the principle of bank confidentiality. The new law gives legal backing to the practice of 40 years: to ignore requests for disclosure unless there is evidence of criminality. The duchy insists it will have no truck with "dirty money." To demonstrate this, it passed a law in July to make money laundering a criminal offence, punishable by fine and/or jail.

Senior bankers are confident of Luxembourg's ability to withstand the strong competition of other centres. The duchy has "natural advantages," according to Mr Jean Krier, the forceful, cigar-smoking president of the Banks' and Bankers' Association.

The obvious ones are its central location and the multilingual fluency of bank employees. In such a small country, Mr Krier adds, it is easy to go straight to the right people, including ministers, to get things done. There is a consensus between bankers and politicians of all hues that Luxembourg should be developed as a financial centre.

Luxembourgers concede that more has to be done to improve the infrastructure, including telecommunications. Bankers have been surveyed on their needs, says Mr Krier, and results are being processed for submission to the government.

These sentiments are shared by Mr Alain Georges, president of Banque Générale. The EC will never be "absolutely harmonised" and Luxembourg will always be "a bit more competitive" than others, he says.

But telecommunications is one area where he, too, sees a need. The solution, he says, is to restructure the post and telecommunications service so that the telephone business can act more quickly and flexibly to raise finance and invest.

In its own activities, Banque Générale is pushing ahead on three fronts: upgrading its local branch network to defend its market share, developing merchant banking activities, and selling financial services, including asset management, more actively abroad. Some problems, Mr Georges points out, result from Luxembourg's growth. The bank needs its planned new headquarters to bring together activities scattered around the city.

Mr Georges says he is very optimistic about Luxembourg's banking future, although life will not become easier. With an allusion to Luxembourg's medieval past, he adds: "Some points in our armour will be weaker but not the essential ones."

Attraction of convenience

IT TAKES a short stroll down the Boulevard Royal, the main avenue in the city of Luxembourg, to appreciate its role as a banking centre. In a variety of drab office buildings on either side lurk the local operations of many of the duchy's 162 banks.

West German banks are no longer in the majority in terms of numbers, but they are still the single most important group of foreign financial institutions when measured by their balance sheets or business volume.

"The Germans no longer make up half, but they are still the most important block," says Mr Jean Guill, a director of the duchy's Institut Monétaire, a mixture of central bank and regulatory authority. West Germany accounts for 37 of the foreign banks. Deutsche Bank, Dresdner Bank and Commerzbank, the country's three biggest financial institutions, lead the way in terms of size, along with banks from France and Luxembourg.

Witb Lnxembourg tha unquestioned centre of international Euro-credits business, the mix of banks is very understandably international, says Mr Guill. But although their number has been rising fairly steadily, the mix has altered, reflecting shifts in the market and changes of emphasis in the head offices of some of those represented.

While the large number of Scandinavian banks are there primarily to be closer to the Euro-DM credit market, the US banking community has steadily declined from a peak of 16 banks in 1973 to just nine, according Mr Guill. Nevertheless, those that have stayed are more committed to the specialised banking services Luxembourg offers.

"The total number of US banks has gone down, but the volume of their business has increased," he says.

Growth has been most conspicuous among the Japanese and some European institutions. Many bankers suspect the Japanese houses, which already have well-established Euromarket operations in London, may be coming to Luxembourg partly out of prestige. But the increase in west European houses is seen as particularly gratifying. Apart from the 19 banks from Belgium and Luxembourg itself, there are 11 from France and 13 from Switzerland.

The rise in Swiss institutions reflects Luxembourg's growing role as a centre for private banking, notes Mr Guill. For along with fund management and unit trusts, private banking has been the main draw. Thus the list of foreign banks includes three UK financial institutions; Wardley, Trustee Savings Bank and Lloyds, which are the real newcomers, he says.

But why have they come to Luxembourg? The reasons are mixed, explains Mr Ekkehard Storck, who beads Deutsche Bank's operations in the Grand Duchy. Luxembourg is seen as a convenient and very international centre; close to European Community bodies and nestling between the important markets of France and West Germany. Both of these are seen as prime targets for Luxembourg-based funds as the financial barriers between the EC member states start to come down.

"Name any place within a day's travelling distance and you are within one of the most industrialised and affluent areas of the world," says Mr Guill.

West Germany's brief flirtation with withholding tax partly explained the surge in interest as flight capital rushed out of Germany. But Mr Guill argues that the development of a growing Luxembourg-based unit trust business has its roots in far broader factors than the vagaries of German fiscal policy.

"We have taken European developments, put them into Luxembourg law, but interpreted them in the most liberal way," he notes. Moreover, liberal rules on marketing and a favourable tax climate have added to the duchy's other attractions as a financial centre for European fund managers.

Meanwhile sentiment, which admittedly hit something of a nadir as fears of an EC-wide withholding tax grew in 1987/8, has improved considerably, he says. "The German withholding initiative did us a very good service, because they showed in practice that what we said in theory was true," he adds.

West German banks are no longer in the majority, but, as Haig Simonian found, they are still the single most important group of foreign financial institutions when measured by their balance sheets or business volume

In spite of the recent rise of interest in the private banking, some members of the financial community emphasise the need to see it in perspective. "We have been doing private client business for the past 15 years," says Mr Klaus Tjaden, managing director of Commerzbank International in Luxembourg.

"Admittedly, tha busines was quieter in the past, and it is likely to develop positively in future given the growth in German private capital formation. But you have to realise that 90 per cent of our business does not come from private clients," he says.

Nevertheless, most bankers admit that that 10 per cent is taking up an increasing amoumt of their time. The reasons are not just linked to potential profits, but also risk.

With international concern mounting about money laundering and fighting the proceeds of crime – particularly related to the drugs trade – the Institut Monétaire has been particnlarly keen to presarve Luxembourg's reputation for banking which is discreet, but entirely above board.

The Government introduced a very strict law concerning money laundering in July to help its fight against the proceeds of crime, notes Mr Guill. "We took the French law and improved on it." Thus suggestions that Luxembourg has become a money-laundering centre are "simply, patently untrue," he emphasises.

"Lnxambourg banking secrecy does not stand in the way of a criminal case," he asserts. There has not been a single case of money laundering detected in the duchy to date. Nor have the local anthorities ever bean approached by criminal or monetary bodies from other countries to set up an investigation, even into the affairs of banks which have been the subject of judicial action elsewhere.

The subject is clearly sensitive, and the Luxembourg authorities are anxious to avoid allegations which have been raised against lax practices in some other private banking centres.

The relatively small size of the city and closeness of the banking community, both internally and with the local government and monetary authorities, means that such concerns are soon widely disseminated among bankers. "It's a running dialogue between the various groups," says Mr Storck.

Few doubt the seriousness of the government's concern. "We only need to have one case and you'll have a huge pile of trouble with the Luxembourg authorities, your own chairman and the press," says Mr Tjaden. He notes that his own bank has stepped up its scrutiny of large deposits.

"What concerns us is to keep our shop clean. No bank wants that sort of trouble," he says.

PROFILE: Ekkehard Storck, head of Deutsche Bank's operation in Luxembourg

Doyen of the foreign banking community

WITH ABOUT 19 years' local experience behind him and no plans to move, Mr Ekkehard Storck, the head of Deutsche Bank's operations in Luxembourg, is the doyen of the foreign banking community in the duchy.

He is a veteran of the Euro-credit business, which remains the bread and butter for most foreign banks in Luxembourg.

Mr Storck has witnessed both the years of syndicated Euro-lending and the more recent downturn in growth. But he is adamant that the decline has been arrested and the past two years have shown a revival in what some bankers thought was a long-term move away from syndicated credits towards securitised instruments.

He witnessed the years of syndicated Euro-lending and a recent fall in growth

Mr Storck should know. Much of his bank's business is directed towards the syndications market, a strategy that dates from Deutsche Bank'e decision to come to Luxembourg back in 1970.

Deutsche Bank was tha third West German financial institution to set up in Luxembourg after Dresdner Bank and Commerzbank. This was in spite of its position as the biggest bank in West Germany.

The bank, like its counterparts, was influenced by the need to get round the Bundesbank's tight minimum reserve requirements, which oblige domestic West German institutions to tie up a proportion of their funds at home.

By contrast, lending through conveniently-located Luxembourg meant the banks could circumvent their central bank's requirements. But in retrospect, Deutsche Bank'e decision to come to the duchy included an element of chance.

Some of the bank's executives probably argued that London, which had established itself as the centre of the Eurobond market in the late 1960s, was the more logical place for its new Euro-lending operations.

Business politics at the time probably made the bank reluctant to take the step. It would be some 15 years before the bank set up a Euromarkets operation in the Square Mile.

"Since establishing in Luxembourg, our business has grown so much that, when Deutsche Bank did go to London, there was no question of leaving," says Mr Storck.

London's loss has been Luxembourg's gain. With total assets of DM37bn, Deutsche Bank Luxembourg is the bank'e largest subsidiary, with a balance sheet that would put it on a par with most middle-sized banks in West Germany.

Staff numbers have risen steadily to about 160 from 36 at the start. But it will not be until its move to a new DM85m headquarters near the European Community installations on the Kirchberg platean that the bank will enjoy premises corresponding to its size and status.

Though recycling petro-dollars and the East European lending boom have been some of the landmarks during Mr Storck's Luxembourg career, more recent events have not been without their drama.

None more so than the West German Government's surprise decision in October 1987 to introduce a 10 per cent withholding tax on most savings and investments from January 1989.

That step, more than any other, gave the decisive lift to tha growth of private banking and fund management, which is Dentsche Bank'e second main business in the duchy.

The bank has more recently decided to take a more direct interest in private client business. It had been indirectly involved in this area since 1978 by way of its 25 per cent stake in Banque de Luxembourg.

However, it is managed funds which have proved the real surprise. In retrospect, setting up the "Eurorenta" family of fixed-income funds in Luxembourg must be seen as one of the luckiest breaks in German banking history.

For the Bonn Government's tax bombshell triggered an unprecedented wave of flight capital to a variety of tax havens, of which Luxembourg was the most convenient.

In Eurorenta – a fund designed to invest in withholding tax-free Eurobonds – German investors found an ideal vehicle.

Bonn's decision this summer to abolish the tax has led to a decline in the inflow of funds.

"The situation has normalised," says Mr Storck. But Eurorenta still stands at about DM9bn, a record for a West German fund, while no competitor will probably ever match its speed of growth in its opening months.

The bank has recently decided to take a more direct interest in private client business

"Wa had expected DM1bn, and DM2bn would have been a sensation," recalls Mr Storck.

While business has provided plenty of interest, Mr Storck emphasises that the duchy offers a great deal more than just banking.

"Luxembourg has a certain leisure value, whether it's for playing tennis, golf, or just touring the countryside."

Moreover, its central location makes it within easy distance of centres such as Paris, Brussels or Frankfurt for bankers and their families and those looking for better shopping or cultural facilities.

Luxembourg's real merit lies in the mix of people there, says Mr Storck.

With a strong international banking community and a large number of Eurocrats, the country can certainly boast an almost unequalled mix of people for its size.

Haig Simonian

Storck: the Luxembourg arm is the bank's largest subsidiary

EC projects get loan priority at the European Investment Bank, says **Tim Dickson**

Drawing on a mix of currencies

THE EUROPEAN Investment Bank is more than just a piece in Luxembourg's prestige collection of European Community institutions. The EIB adds weight, variety, and undoubted respectability to the duchy's expanding banking and financial services sector. It is one of the biggest operations of its kind in the world – in 1988 lending topped Ecu10bn, a 30 per cent increase on the previous year.

Those Luxembourgers who suggest that it could form the basis of a future European central bank, however, would seem to be letting their imagination and enthusiasm run out of control. "As far as I am concerned the *idea is inconceivable*," says the EIB's president Mr Ernst-Günther Bröder.

"It is really a joke. We have 710 ataff members who are highly qualified for the job of long-term lending but central banking skills are quite different and should be provided by central bankers." Mr Bröder adds diplomatically, *for* the benefit perhaps of his Luxembourg hosts: "That doesn't mean that we wouldn't like the new institution when it comes *to be* located *near* to us."

For the moment at least the EIB has plenty on its plate and according to Mr Bröder is on course for a similar percentage increase in its lending in 1989 to that achieved last year.

"We are not pushing for a dramatic increase in operations," he says. "We are following as closely as possible the market demand and that has been coming from the EC member states."

The EC's decision to double its so called "structural aid funds" for helping the poorer regions of the Community has led to closer co-operation in recent months with the European Commission. But such lending, combined with structural fund aid packages, "does not account for the bulk of our present or future operations."

In the main the EIB makes loans from its own resources – principally the proceeds of its borrowings on world capital markets, most of that in EC currencies – and furnishes guarantees for projects within the Community.

Since 1979 it has been providing funds in the member countries from the resources of the so called New Community Instruments (NCIs).

In the non-member countries of the Mediterranean area and the African, Pacific and Caribbean states, it makes loans and grants from its own and EC or member state resources in pursuit of Community economic and financial co-operation objectives.

The important criterion for its loans is Community priorities. This means that regional development infrastructure investments such as aircraft fleets, motorways, and the Channel tunnel, environmental protection and small and medium-sized businesses are among the programme flavours.

The bank takes a first line guarantee on assets wherever possible with the second line guarantee provided by the EC budget primarily intended to protect its triple A rating.

Asked about the medium and long-term challenge for the EIB, Mr Bröder admits that the combination of tha new EC banking directive and new capital freedoms will increase competition in the European market place and that there will be "a different mix of demands on the bank."

He is nevertheless confident that the EIB's ability to raise money worldwide "on excellent terms," its reputation at the long end of the market, and its imaginative mix of currencies will continue to encourage a large demand for its services.

The EIB's knowledga *of* European markets "should work in our favour," he says, and points out that the trend is already towards co-financing with (rather than competing with) commercial banks.

The EIB president warns that in the 1990s the bank will almost certainly have to increase its "non-lending activities" and aim to develop more of a consultancy role by advising on "the mix of activities and the optimal financing schemes" for borrowers.

"Already it is not just a matter of the material financing but the giving of advice as an intermediary. Wa are increas*ing our technical ability in that* direction. I can imagine that on very large schemes we could participate actively at the pre-feasability stage and be involved in determining the shape of the package with the different promoters."

Meanwhile, the EIB is gearing up for a more immediate and arguably more exhilarat*ing* challenge – providing up to Ecu1bn. of EC loans to the reforming Eastern bloc countries of Poland and Hungary.

BUSINESS FACTS

Business hours:
Offices: 08.00-12.00, 13.00-17.00 (Mon-Fri)
Shops: 13.30-18.00 (Mon), 08.30-12.00, 13.30-18.00 (Tue-Sat)
Banks: 08.30-12.00, 13.30-16.30 (Mon-Fri)
Business languages:
French, German, English
Climate: Temperate
Driving licence:
International or foreign
National airline: Luxair,
Luxembourg airlines HQ; PO 2203, Luxembourg airport: L 2987, *tel 352 436161, telex 2372*
Airport: 7 kms from city

Useful addresses:
Central Bank,
Institut Monetaire Luxembourgeois, Luxembourg City 2983, *352 478885, tx 2766*
Stock Exchange:
Bourse de Luxembourg, PO 165, Luxembourg City 2011. *352 4779361, tx 2559*
Chamber of Commerce:
PO 1503, 7 Rue Alcide de Gaspari, *352 435853, tx 2784*
Government statistics: Statec, 19-21 Blvd Royal, Luxembourg City 1841, *352 21883*
Car hire:
Avis *352 435171*
Europcar *352 435243*
Hertz *352 434645*
Hotels:
Cravat; 29 Blvd Roosevelt, Luxembourg City, *352 21975, tx 2846*
Royal Hotel; 12 Blvd Royal, Luxembourg City, *352 41616, tx 2979*
Holiday Inn; Rue de Fort, Centre European, (opposite European Parliament), *352 437761, tx 2751*
Tipping:
Hotel staff; for special services, Porters LuxFr25 per bag. Restaurants LuxFr10, Taxis 15%

INSURANCE

In search of diversification

THE JAPANESE have their eyes on Luxembourg as a possible site for reinsurance. If they choose to come, they will join a growing number of European companies setting up reinsurance in the duchy.

Reinsurance is one of the niches which Luxembourg has set out to cultivate in its quest for financial diversification. Few can be as surprised as Luxembourgers themselves at the progress made so far.

A law providing a favourable framework was enacted in 1984. Since then the number of local reinsurance companies has grown from zero to 100.

About 85 of these are "captives" – operations set up by businesses to assume part of their own insurance risk. Some of the premiums which would have been paid to commercial insurers are built up in a captive's own reserve, while the risk may be diffused by passing some premium money on to other reinsurers.

Captive reinsurance has grown as businesses have sought more comprehensive and cheaper coverage.

True to Luxembourg form, Mr Victor Rod, the tall, bustling insurance commissioner, is quick to assert that the duchy is not acting as a tax haven. Reinsurance companies are subject to usual corporation tax. But premium income and earnings on that income can go into a tax-free reserve to cover future losses.

Taxes *begin* to apply when the fund grows to a certain size. In some cases this is when the fund is 12.5 times the average premium income of the previous five years. For certain risks the fund can be 20 times average premium income.

Swedish companies ware involved at the outset of this initiative and there are more than 30 Swedish reinsurance operations in Luxembourg. The French are not far behind.

Bermuda, says Mr Rod, is a tax haven and admits a wider range of reinsurance companies. "I'm convinced there is a high professionalism in Bermuda. It has at least as many insurance companies and captives of the standard we are seeking, but it also has quite a lot of companies that do not fit our requirements."

Luxembourg has set a fairly high "entrance ticket" to discourage some ventures. Its law requires the captive to have paid-up capital of at least LuxFr50m (£800,000), about 10 times the amount needed in Bermuda.

Their management must be domiciled in Luxembourg and this has encouraged the setting up of local companies to act as managers. Some notable banks, for example Paribas of France, have taken a stake in such management companies with a view to looking after the financial assets of reinsurance captives.

Some European countries may be looking askance at the flow of reinsurance business to Luxembourg. "But they probably prefer this business to be done in Luxembourg than in some other more exotic place."

Mr Rod has felt that the Japanese might becoma interested. The first Japanese arrival, he says, could even be incorporated in Luxembourg by the end of the year.

US companies are likely to be more attracted to Bermuda, while the UK has opportunities on its doorstep in the Channel Islands and the Isle of Man.

West Germany has also proved a different case. "We have two German reinsurance companies and a third is being formed," he says. But these are "traditional" reinsurance companies, although one or two captives may be set up by the end of the year.

Insurance has been *less of a* problem for West German companies. "German industrialists have never had major difficulties in finding appropriate insurance cover at decent prices on the spot," he says.

In a further diversification move, Luxembourg is preparing to set up its own maritime register – in other words, a national flag for a fleet even though the country is entirely landlocked. Mr Rod says this does not necessarily mean Lux*embourg will make* much *of a* foray into marine insurance. But with the duchy looking for opportunities all the time, the setting up of a maritime register will "probably help tha development of some types of marine insurance," he adds.

John Davies

PROFILE: Jean-Claude Juncker, the Government's rising star

Double trouble for the Minister


Juncker: two big jobs

AT 35-yaars-old, Mr Jean-Claude Juncker is a young man in a big job. Two big jobs, to be precise. In the reshuffle following last June'a elections, this rising star of the Christian Democrat party added the finance ministry to his post as Labour Minister.

He is responsible not only for keeping Luxembourg's unemployment rate down to its enviable level of 1.9 per cent, but also for continuing the Government's tax reform programme while at the same time fighting off Brussels' fiscal harmonisation plans.

Mr Juncker, with only a couple of months in office, is understandably wary of spelling out tax reforms, and quick to point out that much has been achieved.

In the past two years, the share of the duchy's gross domestic product which went in tax has been cut by 5 per cent. This was due to such measures as reducing the corporate tax rate from 40 to 34 per cent, and the economy's general growth.

The minister, who admits he is in the happy position of running a "quasi-structural" budget surplus, is ready to listen to the complaints of Luxembourg-based banks. They argue that they are at fiscal disadvantage compared to, say, their rivals in Switzerland. "There is no question of privileging our banks," he says. "Luxembourg will never become a fiscal paradise for banks."

On the issue of the European Commission's attempts to get Luxembourg to raise its indirect tax rates to proposed EC norms, Mr Juncker is much bolder. He says the previous Government, of which he was a part, made a mistake in stressing its opposition of principle to EC tax harmonisation.

Luxembourg should make clearer to Brussels and all its EC partners the practical problems that indirect tax harmonisation would cause the duchy, he said.

In particular, there is the cumulative effect of the duchy having to raise its standard 12 per cent value added tax rate and its low excise duties. This would be a double blow because excisable items such as petrol, cigarettes and alcohol would carry higher duties and higher VAT rates.

Brussels' original harmonisation proposals, slightly modified recently, would have between 5 and 7 per cent to inflation. This would be perpetuated by Luxembourg's long-standing system of indexing wages to consumer prices.

"This would infuriate consumers and companies, and it would be very hard to persuade Luxembourgers that this is the necessary price of entry into the post-1992 single market," he said.

Why not offset indirect tax increases by cutting direct income tax? "Many people outside Luxembourg, and some inside, suggest this," replied Mr Juncker, "but they don't realise we have little room for manoeuvre here."

The reason is that, while the duchy's top income tax rate is 56 per cent, the tax scale is sharply degressive for the middla and low earners. So, claims Mr Juncker: "There is not that much to cut."

In addition, Luxembourg taxpayers all have to pay a flat 2.5 per cent extra in the form of the "solidarity tax" introduced in the middle of the 1970s to help the duchy and its outsize steel producer, Arbed, out of its crisis.

Mr Juncker is very emphatic about the efforts made by Arbed, and by the state on the company's behalf. He has direct personal experience of it. "My father worked for Arbed and like everyone there had to take a 10 per cent pay cut in 1979. I well remember him telephoning me when I was in my final year of law studies at Strasbourg to tell me that he would hava to cut my allowance."

The slimmed-down Arbed is at last showing a profit, and its 41 per cent owner, the Luxembourg state, is recouping a little of the LuxFr45bn which the steel company has received since 1976.

Not surprisingly, Mr Juncker is as keen as the British Government that other EC countries, notably Italy, cease their steel subsidies and restructure their steel sectors.

"The likes of Arbed and British Steel should not be the only ones to make sacrifices," he commented.

David Buchan

The duchy has cultivated investment funds to consolidate and diversify its financial services, says **John Davies**

Healthy tax environment attracts the fund managers

THE LAST thing the Luxembourg investment funds business needed was a cold shower on Friday the 13th. But the business weathered the global stock market crash two years ago and it hopes that the recent market setback of October 13 will turn out to be little more than a sobering experience.

The investment funds business, after all, has been going through buoyant times in Luxembourg. It is one of the areas that the duchy has been carefully cultivating in recent years.

Leading politicians and bankers have been quick to realise that building up investment funds can be a way to consolidate and diversify Luxembourg's financial services. They have set out to provide the right framework to make Luxembourg a base for funds to be marketed to investors not only in the European Community but also much further afield, including Japan and the Middle East.

Since the world stock market crash two years ago, investment funds have been endeavouring to overcome the reluctance by some personal investors to contemplate much (if any) stock market investment, especially when high interest rates offered good returns on cash in deposit accounts.

The investment funds have been going through buoyant times

For this reason, there were anxious faces in the immediate aftermath of the Wall Street setback of October 13, though there was relief as markets quickly regained their poise in the ensuing days.

According to Mr Ken Reid, managing director of Gartmore Luxembourg, the local administrative company of the Gartmore funds group of the UK, the situation underlined one of the shortcomings in legislation governing the so-called Ucits investment funds. In his view, Ucits umbrella funds should be permitted to hold a proportion of their assets in a cash fund.

The acronym (pronounced, by the way, *yew-sits*) derives from the official description of these funds in Euro-speak as Undertakings for Collective Investment in Transferable Securities.

Mr Reid, who has spent 15 years in Belgium and Luxembourg, is among keen supporters of the Luxembourg Unit Trust Association, which is building up its own operation in line with the growth of the funds industry there. It is looking at a number of problem areas affecting the development of funds in Luxembourg.

One cause of concern has been the fact that some states have lagged behind the October 1 target date for implementing the EC directive on Ucits funds. This has served to emphasise the practical difficulties that Luxembourg-based funds face in expanding into new terrain within the EC.

Assuming that the laggards eventually fall into line and implement the Ucits directive, it will still take patience and ingenuity to exploit the marketing opportunity that will theoretically be there. Newcomers will not face an easy task, for instance, in West Germany, where established banks already have a well-developed branch distribution network for their own in-house investment funds.

Luxembourg has been very purposeful and canny in attracting investment funds to the duchy with its comprehensive legal framework and a favourable tax environment. At the same time, it has insisted that funds be more than "letter-boxes." Their central administration, though not portfolio management, must be situated in the duchy.

Luxembourg initially enacted a law for the operation of investment funds in 1983. But the next big step came with the law of March last year, which, among other things, implemented the EC directive on Ucits funds.

The Brussels directive was meant to play its part in transforming Europe into a single market for financial services. It set out certain requirements to be met by a Ucits. Once such a Ucits was authorised in one EC country, it could be marketed in any of the 12 member states without needing separate authorisation in each.

Luxembourg, which had begun building up its investment fund industry, sensed that the EC directive provided an opportunity to attract Ucits funds, which could perhaps be marketed readily from the duchy as a centrally located and "neutral" base.

The tax environment helps to give Luxembourg funds an advantage over rival funds elsewhere. They are not subject to income tax, but pay only an initial registration tax of LuxFr50,000 (£800) and a yearly charge of 0.06 per cent on net assets invested. There is no withholding tax on distributions made by the funds.

With this sort of official encouragement, the investment funds business has shown remarkable growth. The number of funds registered with the Luxembourg Monetary Authority has shot up from 75 in 1981 to over 600. More investment funds are in the pipeline.

Luxembourg has been canny in attracting investment funds

Their assets were a relatively modest LuxFr142.7bn (£2.3bn) in early 1981. But by last April they were officially calculated to stand at LuxFr2,437.6bn (£39.3bn).

Assets, which had fallen back after the 1987 crash, have resumed their steady growth.

The funds business has been one of the drawcards bringing more and more banks and securities houses to Luxembourg from all over the world. To some extent the investment funds business has gone hand in hand with banks' efforts to build up private banking business for affluent clients. British companies active in the unit trust and investment trust fields – for individual and institutional clients – have been among those flocking to Luxembourg in recent years.

With Luxembourg fund managers eagerly eyeing prospects for fund promotion in the UK, the two countries even reached a reciprocal marketing agreement well before the October 1 target date.

But one of the challenges ahead for fund managers will be the less familiar terrain in various other EC member states.

Private Ecu investors are getting harder to find, says **John Davies**

Monetary cocktail loses fizz

THE PRIVATE Ecu investor has become even more elusive than the Ecu itself. He is still held in fond regard, however, in Luxembourg, which of course takes the Ecu, or European Currency Unit, more seriously than many other places.

By all accounts, the private Ecu investor – the one who got the Ecu bond market going before the big institutional boys took over – still lives in or around Luxembourg and Belgium. It's true, though, that he has been sighted in other countries, even West Germany, whose sceptical monetary authorities regard the Ecu as marginally better than a counterfeit Polish zloty.

The Ecu has started to lose some of its lustre. As one banker put it, there has been disappointment at the performance of the Ecu exchange rate in relation to the Belgian franc

It has always been said that the private Ecu investor is a professional person, most likely self-employed. He is thought by many to have a dental practice. He is certainly discreet to the point of being very shy and tends to find disclosure of all his financial affairs just far too taxing.

He was attracted to Ecu denominated bonds for apparently good reasons. The Ecu, seemed an exciting cocktail formed from all European Community currencies, with a solid D-Mark element as stabiliser. At the same time the interest rates offered on Ecu bonds were relatively high.

But for some time the private Ecu investor's problem has been the environment: it has turned less friendly for the Ecu.

For a start, the D-Mark element has been diluted as weaker currencies have been added to the Ecu mix. The Greek drachma became part of it in 1984 and so did the Portuguese escudo, along with the Spanish peseta, earlier this year.

Of the 12 currencies making up the Ecu, the D-Mark accounts for 30 per cent of the weight of the "basket." But it made up 36.9 per cent just before the Greek drachma came in and 34 per cent before the last revision.

The upshot has been an inherent tendency for the Ecu to weaken in relation to strong individual currencies.

On top of that, the rise in European interest rates provides more opportunities for investment with a high return. The private investor can get a double digit return without buying Ecu bonds. At the same time, the rise in rates has lifted the yield (and lowered the market value) of existing Ecu bonds. This means a capital setback for Ecu bond holders, though private investors have tended to keep such bonds to maturity, especially if selling would mean a loss.

As a result, the Ecu has lost some of its lustre, even in and around Luxembourg. As one banker put it, there has been a certain disappointment at the performance of the Ecu exchange rate in relation to the Belgian franc.

As the European "retail" investor has retreated in recent years, the Ecu bond market has become much more a global affair for financial institutions, frequently swap-related. With Luxembourg and Belgian bankers looking askance, Japan even became infatuated with Ecu bonds a few years ago. Last year there were 90 new Ecu issues in the Eurobond market, raising a record Ecu9.5bn (£6.6bn), representing some 6 per cent of total Eurobond fund raising in all currencies.

Paribas, the French bank which heads the league table of Ecu lead managers in London, attributes greater volatility in the Ecu segment than elsewhere to the lack of natural Ecu borrowers. Most corporate borrowers and some sovereign and supranational borrowers have swapped their Ecu proceeds into other currencies.

By far the largest Ecu borrower has been the Luxembourg-based European Investment Bank. The EIB and other EC organisations are supposed to be keen on the use of the Ecu.

The Ecu, set up in 1978, was originally designed as an accounting unit for European institutions, but has found some wider use in trade and finance. The Ecu bond market got under way in 1981, when there were six issues raising a total of Ecu202.2m.

The Ecu has always had a following in Luxembourg. Most Ecu bond issues are listed on the Luxembourg stock exchange and most Ecu bond transactions are cleared through Cedel, based in Luxembourg. Local banks have helped encourage private use of the Ecu by offering Ecu accounts and certificates of deposit.

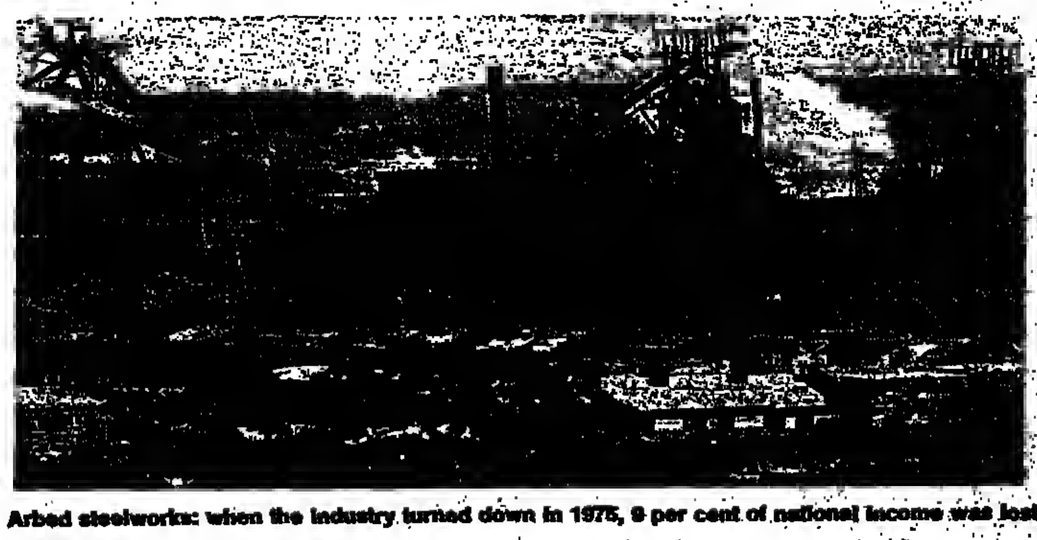
With the Ecu going through a bad patch, supporters are mounting a campaign to popularise it in Luxembourg next month. Shops, restaurants and hotels are being asked to display prices both in local currency and in the Ecu for four weeks. They are being encouraged to let people settle accounts in Ecu, though there seems to be confusion as to how that might be done.

As might be expected, shopkeepers have mixed views even in what must be the nearest thing to an Ecu heartland. One who intends to go along with the campaign is Mr Michel Gerbes, who owns a stationery shop. "Sometimes there have to be actions like this, otherwise it is all abstract," he says. Another shopkeeper, busily packing fine china, dismissed the idea, declaring: "Luxembourg already has its own currency."

It has always been said that the private Ecu investor is a professional person. Most likely self-employed, they are thought by many to operate a dental practice

The duchy, in practice, has two currencies. It is in a currency union with Belgium and both Belgian and Luxembourg notes circulate freely. A few restaurants price their meals in various currencies, including – though this may appear alarming to some – the D-Mark.

The Ecu promotion in Luxembourg may at least flush the elusive private Ecu investor out into the open again after all these years. It may not be too difficult to spot him. He will be the one studying the Ecu price tags most intently and no doubt emitting the deepest sigh.



Arbed steelworks: when the industry turned down in 1975, 9 per cent of national income was lost

INDUSTRY

In need of balance

LUXEMBOURG HAS no unemployment, no shortage of capital, and one of the best growth rates in Europe. Thus its presence alongside all the depressed and needy parts of the Continent in the competition to win direct foreign manufacturing investment might seem an oddity.

The duchy's problem, however, is a profound lack of balance – while the steel industry goes on shrinking, and the banking sector goes on swelling the country finds itself with an alarmingly lopsided gross national product.

Luxembourg is in no doubt as to how dangerous over dependence on one industry can be. When the steel industry, which employed half the country's workforce, turned down in 1975, 9 per cent of national income was lost.

Should the financial sector suddenly fall on hard times, not only would the consequences for employment be severe, but the taxman would find his takings sadly depleted.

Since the early 1960s Luxembourg has been trying to diversify, but at least in terms of overall economic balance, the effects still seem rather modest. Part of the problem is the success of the financial sector.

However fast the manufacturing sector runs the banks always seem to run faster. Moreover the gap left by the steel industry is still expanding. Even having cut its workforce down from 27,000 in 1975 to about 10,000, Arbed still has about 2,000 workers too many, which it plans to shed over the next two years.

This means that if the manufacturing sector is to be held constant at about 25 per cent of GNP, a constant, further effort on the part of the Government will be needed.

Over the past year, Luxembourg has had reason to feel pleased with its work. So far, 1989 has been by far the most successful year yet, attracting new projects worth a total of between LuxFr8bn and LuxFr9bn, compared to a combined LuxFr10bn over the last 12 years. This year's performance is not quite as strong as it looks. Much is due to one single deal – a LuxFr5bn investment signed in April with TDK, the Japanese producer of audio tapes.

The deal was regarded as a coup for Luxembourg, not only because there were plenty of other countries in the beauty contest, but also because it was its first big Japanese industrial deal.

The rest of this year's total tells less of the success of Luxembourg than the desire on behalf of every other US and Japanese company to set up a manufacturing base in Europe. While some people expect the trend to diminish, as some of the more extravagant hopes about the single market are toned down, others regard this as just the beginning.

"Until now the US has spent most of its time worrying about Fortress Europe, and it is only now coming to realise that Europe is an opportunity, not a threat," said Mr Scott Cormack, head of the Luxembourg office of Peat Marwick.

If this is true, Luxembourg should find no shortage of applicants in the future. According to Mr Cormack, the country's biggest selling point is its neutrality within Europe. With a base in Luxembourg, he argues, it is possible to sell both to France and West Germany in a way that would be more difficult if the company was based in one of those markets themselves.

The success of the duchy's initiative should not be measured in broad numerical terms. The country itself prefers to judges its success in terms of the quality of the project rather than its size.

"What we are trying to do is to identify those companies that have a broad Europe strategy," said Mr Georges Schmidt of the Economics Ministry. "We have no interest in attracting companies without any money. What we want is those which are stable producers, and who will be there for the long term, long after all the subsidies have run out."

The package is specifically geared to that end. The financial incentives are minimal compared to those on offer from other countries – indeed were it not for the need to pay some lip service to the competition, Luxembourg would undoubtedly offer none at all.

Moreover it is rather more demanding about its potential guest producers – requiring that they put up a third of the financing for the product in terms of their own equity. This approach may put off many potential investors, says Mr Schmidt, most of those are ones which it would not be interested in anyway.

Luxembourg can afford to pick and choose partly because of it is in no need of employers. Its caution may also stem from a nasty experience with Monsanto in the late 1970s. The company since the 1960s had produced nylon thread in Luxembourg and had become one of the country's biggest employers. In 1979 it suddenly shut up and went home, with the loss of 700 jobs.

In return for demanding stability from these companies, the duchy offers stability of its own inimitable kind: political neutrality, economic tenacity, and minimal labour friction.

While there has not been a single strike in the country for nearly 70 years, an argument over Sunday working proved surprisingly passionate. The image it is striving to get across is of predictability and credibility.

In addition, Luxembourg has a good central location, and offers companies easy access to the levers of power – such as they are.

Large companies may question the benefits of having the ear of the Government and small companies may find themselves better catered for than if they were they lost in a sea of bigger manufacturing outfits in a bigger country.

The 100 or so companies that have been drawn into Luxembourg since 1976 have been predominantly American – although given the size of the US market there is nothing particularly surprising about that.

The size of recent investments have varied from as little as LuxFr5m to as much as LuxFr5bn for the TDK plant, and comes from a wide variety of sectors.

While the products may seem to have nothing in common, on closer inspection they share a curious flatness. The fact that Luxembourg is the home of steel, glass, copper foil, video tape, and polyester film might seem an odd coincidence. Not so – all are highly capital intensive and require stability so as not to have their production interrupted. They increasingly use high technology production techniques. Just the sort of thing that Luxembourg is after.

Lucy Kellaway

Mr JACQUES SANTER, Luxembourg's Prime Minister, appears to have strengthened his grip on the Government following the general election in June, held on the same day as the European poll.

All three large parties (Mr Santer's Social Christians, the Socialists, and the Liberals) lost ground to the smaller parties such as the Greens and the one issue "five-sixths" pension party.

But the main consequence of the result, however, was that it left the free market Liberals with an insufficient number of seats to do a deal with either of the other big groupings. It was therefore inevitable that Luxembourg would continue to be run by a Social Christian/Socialist coalition.

Mr Santer's personal vote and standing was enhanced, his party now controls the finance portfolio in the Government, and the Socialists are preoccupied with internal difficulties in the east of the country.

Tim Dickson

Philip Aspden ponders the heart and soul of the Luxembourger

A wide variety of cultures

THIS HAS been a good year – for Luxembourg and the Luxembourgers, and most likely for this year's wine harvest.

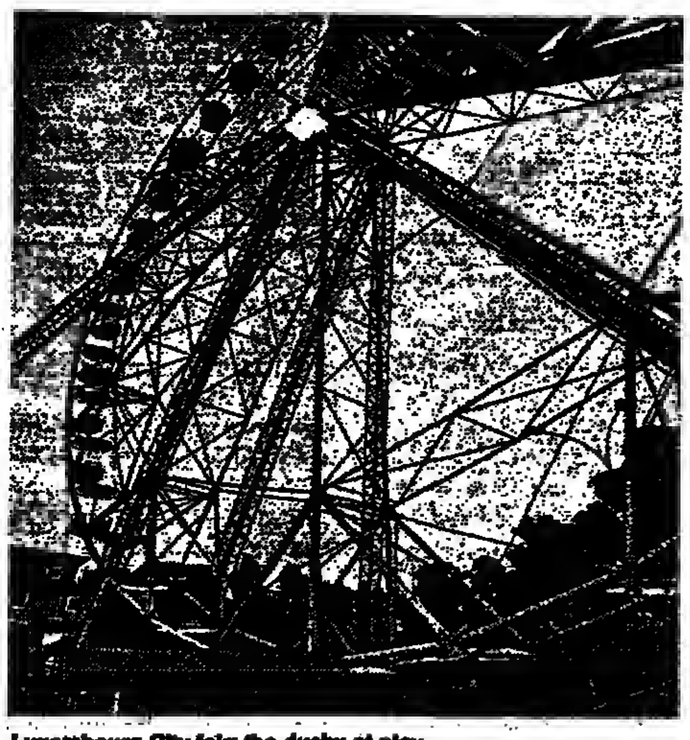
To find out why, leave aside the buoyant financial sector, and dig below the surface that the duchy tends to show to the casual visitor or journalist. The results can be quite illuminating.

This year remains dominated by celebrations of 150 years of independence. They have provided an impetus to what must be one of the strongest senses of national pride in Europe, perhaps the world.

The festivities have revealed to both visitors and locals alike a glimpse of some hitherto little-appreciated facets of life in the duchy.

The celebrations included a fascinating Independence Exhibition, giving graphic descriptions of those accidents of fate in the 18th and 19th centuries which eventually led to the creation of an independent state.

Hundreds of independence trees have been planted this year. Some, but by no means all, by politicians who like to keep their faces fresh at local level.



Luxembourg City fair: the duchy at play

Looking at Luxembourg, a small political unit with an indigenous population of less than 250,000, it is tempting to generalise.

To do so, however, ignores the wide variety of cultures and linguistic influences which history deemed should be incorporated into Luxembourg life.

These emerge from a closer study of the areas where a Luxembourger tends to spend much of his time – his job, his family and his communal interests.

With employment prospects in the financial services centre booming, the more traditional and local industries are receiving something of an indirect boost.

Take, for example, the construction industry which is trying to cope with new orders for offices, houses, supermarkets and leisure centres. Include the effects of a revitalised Arbed and there emerges a greater sense of well-being and security than has existed for many years.

The average Luxembourger is not a person of infinite wealth. The vagaries of a high individual tax rate and a taxation system based on aggregated household incomes soon puts paid to that.

However, the younger generation in particular is investing much of what it can save in terms of cash, and often a considerable physical effort, into home ownership, which should add to the strong sense of social harmony which is already such a feature of the duchy.

Strong family attitudes persist. With Catholic values well engrained. It is not unusual for three generations to spend their Sundays together, not to mention special family occasions such as Communions and "Kirmessen," and the traditional class reunions of old school friends.

The compactness of the country means that reunions such as these can perpetuate themselves without enormous preparation or travelling.

This helps us understand how the Luxembourgers use their leisure time in communal pursuits.

The commune is an important factor in Luxembourg life: whether representing a sizeable town, or a suburb, or a small village. Its semi-autonomous powers give it a responsibility for providing, and encouraging, a full range of social facilities, from education to table tennis, from cradle to grave.

It is the degree to which a Luxembourger contributes his time to one or more of these organised activities which ultimately determines how he leads his life.

The Monday editions of the two leading Luxembourg newspapers make fascinating reading. The pages contain amazingly full reports on all the weekend's sporting activities, hundreds of games of football, volleyball, skittles, clay pigeon shooting, and many more.

Compared to the total population of the country, the actual direct participation is enormous. The number of spectators is just as high, and the number subsequently discussing the events in the local cafe at an ever-increasing volume is astronomical.

For those of a less sporting bent, apart from the very popular and fashionable concerts and art exhibitions, there is the choice of a wide variety of locally-organised cultural and quasi-cultural interests.

These range from women's associations, war veterans meetings, and "cercles culturels," to groups of wine tasters and gastronomes with prodigious appetites.

Woe betide those with some ability with a trumpet. This could result in honorary membership of the "pompiers" (voluntary fire brigade), which parades the streets in all weathers, and maybe even be given a solo spot in the normally peaceful Place d'armes in the heart of the city.

Most local organisations are non-profit-making associations, with a appointed officials and committees.

Multiply the numbers involved by the thousands of registered bodies and it is not difficult to work out how a large proportion of the duchy occupies itself during the long winter evenings. It would be wrong to underestimate the kudos which has been attached to these committee roles.

There is no lack of welcome to outsiders wishing to participate in local events. The basic requirements are a smattering of any one of the three used languages. Most important is a readiness to laugh at oneself after the first, inevitable, embarrassing moment.

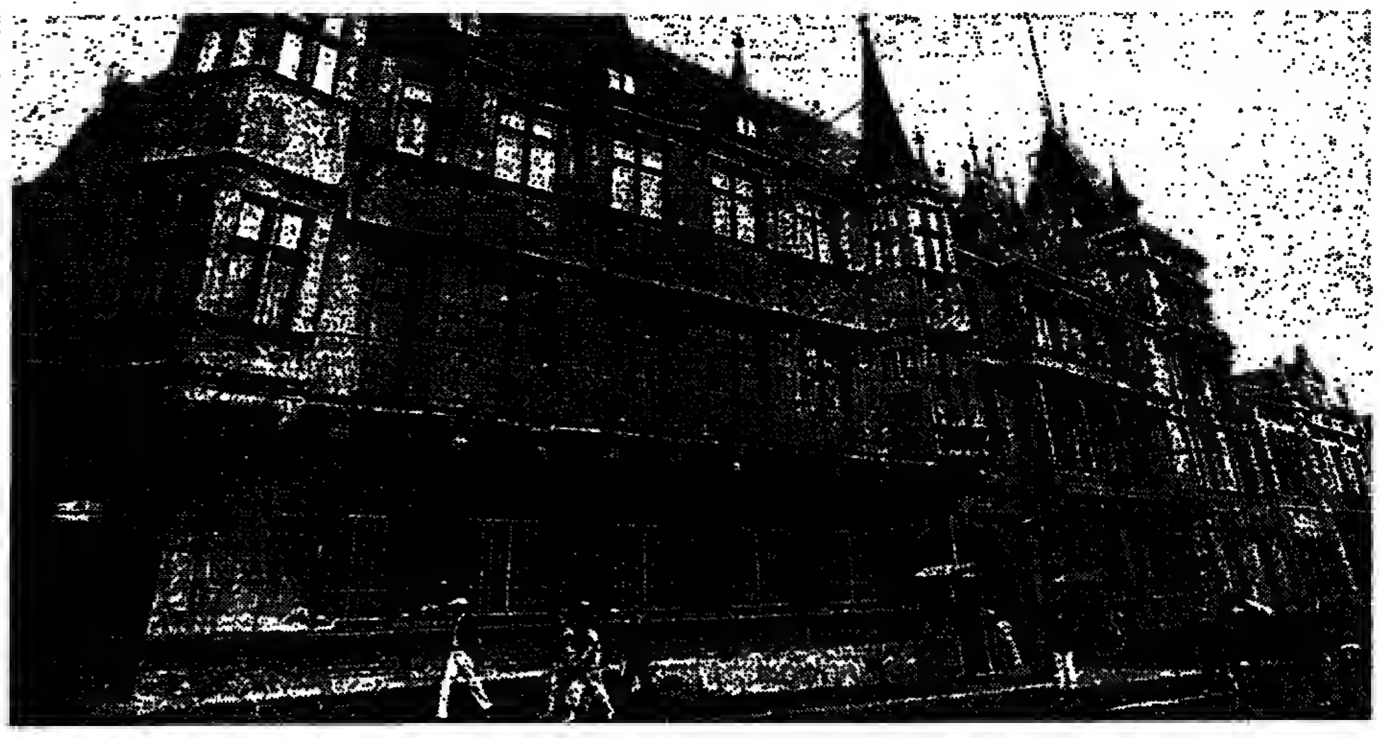
Perhaps this all sounds rather too structured to be in the least spontaneous, but the reality is different.

Yes, it is true that work is taken seriously, but to balance this, the majority of Luxembourgers do have an interesting, and often stimulating, way of making their own pleasures.

Agreed, they can be reticent in making overtures, and the younger, single person arriving to pursue employment here does find a shortage of the big-city attractions in what is essentially a more staid, domesticated, way of life.

For others, this is possibly what they are happy with, and that is why they stay.

The author has lived in Luxembourg for 14 years and is general manager of the West of England Ship Owners Mutual Insurance Association.



The Royal Palace (above) may this year see a new Grand Duke: Prince Henri (right), a monarch in the waiting, due to speculation that his father may abdicate this year

THE ROYAL FAMILY

A prince in the wings

HIS ROYAL Highness Prince Henri, hereditary Grand Duke of Luxembourg, can in several respects be compared with Prince Charles, the heir to the British throne.

He is a monarch in the waiting, plays an active part in Luxembourg life, has led many foreign trade missions and other overseas delegations, and has recently been awarded an honorary commission in the British parachute regiment as a symbol of the continuing links between the two Royal families.

He is just as popular with the public as the British royals and there is even speculation that his father his Royal Highness Grand Duke Jean may choose this year – not only the Grand Duchy's 150th anniversary of independence but his 25th as head of state – to abdicate in favour of the 34-year-old Prince.

Under the 1815 Congress of Vienna the Grand Duchy was given to the King of the Netherlands, William I, Prince of Orange-Nassau, to be owned perpetually and personally by him and his legitimate successors.

In 1890, William III of the Netherlands died leaving no male descendant and the Grand Duke Adolphe became the founder of the Luxembourg dynasty. Thanks to the wisdom of his son (who changed the family pact of the House of Nassau which had previously applied transmitting the Crown via primogeniture in exclusively the male descent) there have since been two Grand Duchesses, including Grand Duke Jean's mother Charlotte who abdicated in his favour on November 12, 1964.

The close connections between the Luxembourg and British Royal families were established during the Second World War, when Prince Jean (a pupil at Ampleforth College in Yorkshire between 1934 and 1938) joined the Irish Guards.

He accompanied the regiment across the Channel shortly after the Normandy landings in June 1944, entered Brussels in early September of that year and a week later crossed the Luxembourg border with the Allies' liberating forces.

Grand Duke Jean, who is a Colonel in the Irish Guards and can sometimes be seen in full uniform at the Trooping of the Colour in London, holds the distinction of being the only crown head to have served in the British Army.

Tim Dickson

PROFILE: Pierre Jaans, director of the IML

On patrol in the financial sector

MR PIERRE JAANS is a well known figure on the international banking scene. He has been director of the Luxembonrg Monatary Institute (IML), the de facto central bank, since its inception in 1982.

Yet at a time when the duchy's financial sector is expanding rapidly, his domestic role of ensuring the proper functioning of the financial markets and supervising banks and investment funds has become ever more crucial.

Mr Jaans is in relaxed and confident form. He is optimistic about economic prospects for this year. He points to the investment made in the duchy by TDK, the Japanese tape company, as well as the buoyant performance of the steel industry, and the continuing strong growth in the financial sector.

Jaans: optimistic about economic prospects

Thirty new banks have arrived in the last two years, he says, making 160 in all, and 1,000 jobs have been added so far in 1989. Many provide administration and custodial services for the burgeoning investment fund business.

Ensuring the proper functioning of the financial markets has become more crucial

Luxembourg bank profits, says Mr Jaans, will be generally as good or better than the 1988 figures. Lower interest margins reflecting the flat yield curve have been offset by higher fees and service income, notably from private banking and fund administration.

Asked about the duchy's generous regime for provisions against doubtful country risks, the IML director defends it. He says the Mexico debt plan this year showed the caution to be realistic. He foresees no change in policy though he says that the days when banks were able to declare zero taxable profits – up to 60 were doing so at one point in the mid 1980s – are gone.

Country lending is considerably reduced and where industrial customers are concerned "the banks here will have to show that their judgement (about provisions) is based on reality."

Is there any limit to the growth of Luxembourg's financial sector? Mr Jaans answers that the duchy has in the past and will in the future only be open to "eligible comers, not all comers."

This includes bankers who have been bankers abroad and who are shown to have been successful over a number of years. "The limit only comes when it becomes impossible to find a new employee, that would be a natural limit." He adds: "The stance of the Luxembourg authorities has been fairly restrictive . . . otherwise we would not have 160 banks but a much higher figure."

On the question of whether Luxembourg has become over-dependent on financial services, he points out that since the industrialisation of the late 19th century the duchy has always been a country with "cluster risks." In the late 1950s more than half the economy was dominated by steel, against the 15 per cent of the workforce employed by the financial sector today.

Bank profits will be generally as good or better than the 1988 figures

"The way round letting this build up as a real risk is to keep expenditure at a low level . . . not to create cost overheads which can be financed at the moment but which are not justified in the medium to long term. It is natural for an economy like ours to have budgetary resources, not debts."

Mr Jaans admits that some of Luxembourg's relative advantages – the comparatively light regulatory framework, the corporate tax regime, for example – have already been and will continue to be eroded as other countries liberalise their markets.

"It is the Government's policy to watch the market and remain competitive. It is not necessarily a disadvantage if you are some years ahead in doing something. But the banking industry has to mind its step, it has got to be cost minded. Bankers here are not relying on a few institutional factors which make life easy."

Reflecting on one of these – the duchy's lack of a withholding tax on foreign interest and dividends for non residents – Mr Jaans says that discussions on the EC's abandoned plan for a common withholding tax rate yielded "good analytical arguments" against the idea.

"We could have wound up with a situation, for example, where Japanese companies were able to borrow more cheaply on European markets than their European competitors," he claims.

"I know that banks, not just in Luxembourg, were laying contingency plans to offer services from outside the Community."

As for Luxembourg's prized tradition of banking secrecy, he says the decision to strengthen the legislation in March this year "consecrated the practice of the last 40 years."

"It states that the tax authorities in Luxembourg cannot consult the banks, so if we are not doing it for our own residents how can we do it for foreign residents?"

By contrast, Luxembourg's willingness to co-operate in the international fight against criminal operations, notably the laundering of drug money, is reflected in tough domestic legislation against offenders – "and those who by negligence in their professional status help to launder drug monies."

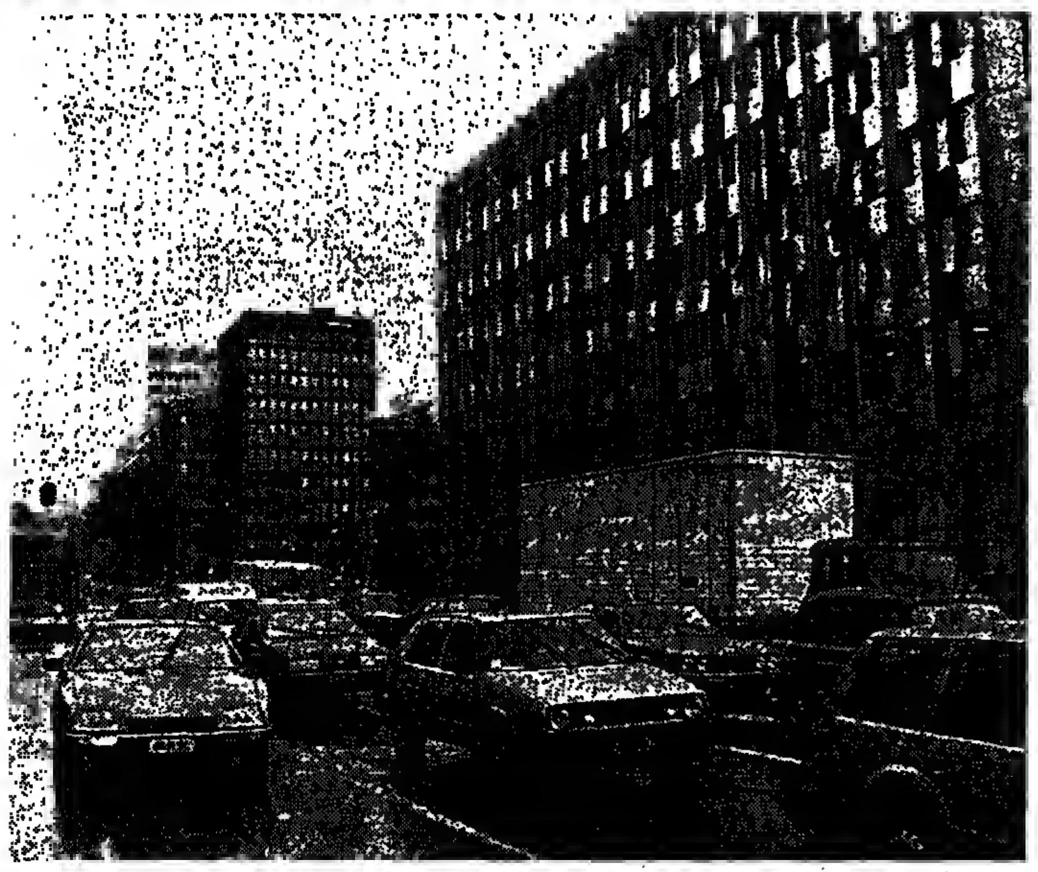
When it comes to catching the criminals, Mr Jaans says that Luxembourg has a good record of co-operation and explains that among the significances of the new law is the fact that requests for help and information can only be met when the alleged offence is a crime under Luxembourg's own legislation.

Mr Jaans disputes those who claim that Luxembourg's generous holding company legislation provides loopholes for the unscrupulous.

He points out that with holding companies there is usually no public to be protected and says that holding companies are not where financial scandals are generally carried out. "Most of them take place in normal commercial compsnies," he suggests.

"We have a few banks where at shareholder level you find holding companies . . . but we have to be convinced that it is a good idea . . . and there is no case where a holding company intervenes in this way where there is not public knowledge of who owns it."

Tim Dickson



Part of Luxembourg's banking sector: 30 banks have arrived in the last two years

BROADCASTING

Television without frontiers

A NEW era could be opening up for Luxembourg as a centre of cross-frontier broadcasting with the passage earlier this month of the European Community's directive to permit freer transmission of television programmes in the 12 member states.

The duchy strongly backed the directive, whose general aim was to create and regulate a single television market of a size that can sustain tha European industry against competition from Hollywood's producers and Japan's television manufactnrers.

Luxembourg, with Radio Luxembourg, has a history of trans-frontier broadcasting that goes back many years. But passage of the EC directive came at a particularly opportune moment for the duchy in its efforts to lure outside broadcasters to set up in the country.

The two most notable arrivals are refugees from the restrictive andiovisual regime in the Netherlands, the only European country which does not allow full-scale commercial television.

One of them is a joint venture between the domestic company, Radio-Tele-Luxembourg (RTL) and Veronique, once a Dutch pirate station in the North Sea.

The other is TV10, purely Dutch. The Dutch authorities are not best pleased. These stations, set up in Luxembourg, aim to beam commercial television to the Netherlands.

The Dutch government bans advertising on Sundays and permits it during the rest of the week on condition that the revenues are shared among broadcasting associations in which religious groups play a large part.

The future of both stations is clouded by litigation and political argument. Prospects for RTL/Veronique are better. This is partly because it has been on the air since October 2, and because the Dutch Media Commission has ruled that its programmes can be fed into the Dutch cable network.

The reason given for this approval was that RTL/Veronique was judged to be more properly a genuine foreign company.

The Media Commission has withheld entry for TV10 (due to hit the airwaves in late October) into the Dutch cable system, on the ground that it is a Dutch company that has set up abroad to get around Dutch broadcasting rules.

Indeed the Dutch government only voted for the EC "television without frontiers" directive after it had sought – and partially won – an assurance from Brussels that the European Commission would not take legal action to force TV10's entry into the Dutch market.

In fact, the Commission refused to state this explicitly, and only noted past European Court rulings against companies that moved from their home state to another EC country merely to get around local restrictions at home.

The Luxembourg government remains hopeful that the new EC directive will protect broadcasters which set up on its territory. Obviously, to get such protection, such broadcasters would need to conform to the norms of the EC directive, which comes into force in all northern EC states next year.

The duchy, with Radio Luxembourg, has a long history of trans-frontier broadcasting

These include minimum intervals between advertisements and a ban on pornography and gratuitous violence.

The two Luxembourg-based Dutch stations have said they would comply with these standards, and those prevailing in the Netherlands. But Luxembourg officials are equally wary of the possibility that the Dutch government could spin matters out by refusing to implement the EC directive.

The only sanction on it is protracted litigation in the European Court.

Such delay would be very frustrating to a country such as Luxembourg which has been pushing since the early 1970s to get a headstart on its neighbours in the age of frontierless satellite and cable transmission.

As long ago as 1973 the Luxembourg government promised RTL that they would get satellite wavelengths, and by the late 1970s this was agreed internationally. In 1983, the Astra satellite was started, and, though it had a temporary hiccup, the formation in 1985 of the Société Européenne des Satellites (SES) got it properly underway.

SES's first Astra satellite was launched last December, started operating in February, and is beaming programmes on 11 of its 16 available channels.

Luxembourg officials note that this a far quicker start-up than France's TDF satellite, launched a month before Astra but so far carrying only one programme.

In addition, British Satellite Broadcasting (BSB) may have launched its satellite, but it is not expected to start beaming until next May. This gives Astra's largest single client, Mr Rupert Murdoch, a head start with his four Sky channels.

SES's next target, and one of the hardest to crack, is West Germany. If Astra could get into this market, it would, say Luxembourg government officials, establish itself as the leading European satellite operation. There are technical differences over transmission wavebands and receiving dishes to be solved. In a year's time SES plans to launch Astra 1-B, in the hope of gaining custom principally from southern Europe.

Whether Luxembourg can establish itself as a centre for making programmes as well as broadcasting them is another matter.

The government hopes that the EC directive will protect broadcasters who set up on its territory

RTL has had to make many of its programmes outside the duchy's borders, in conjunction with its French, Belgian, and West German subsidiaries and joint ventures. Some programmes made in the duchy have, in the past had a slightly seamy air about them, such as "Love Life in Luxembourg", precisely, of course, to avoid neighbouring countries' censors.

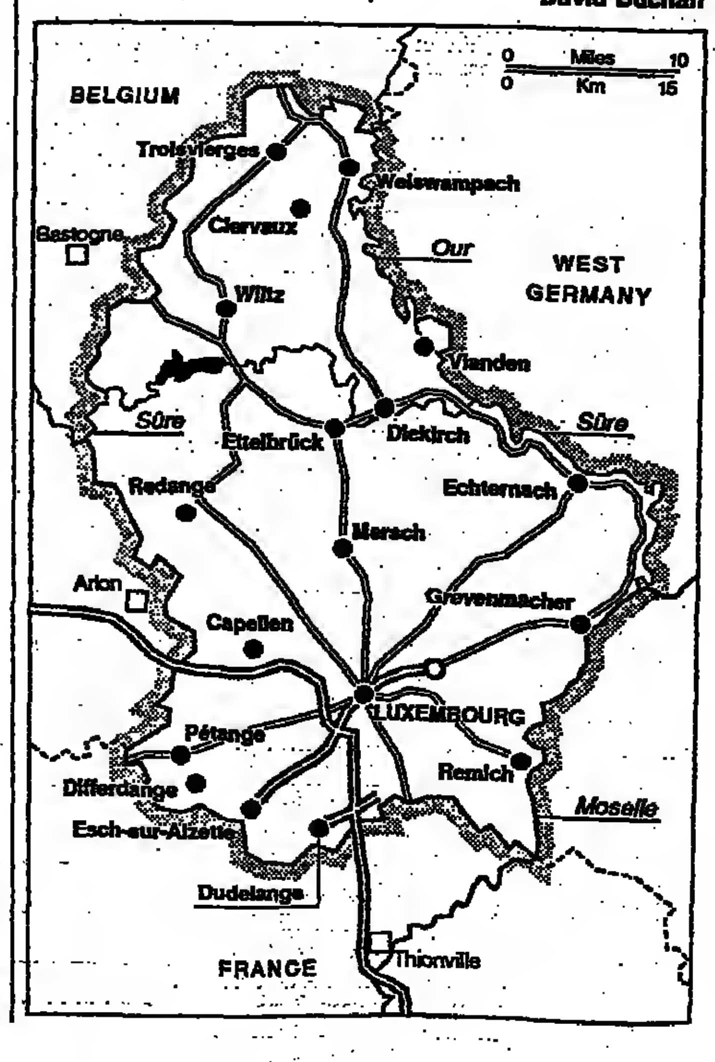
But duchy officials hope to shed this image by plugging on with their incentives for filmmakers. The centrepiece of this is last year's law allowing investors to deduct expenses incurred in the duchy from their Luxembourg taxable income. A typical innovative addition allows companies that are not Luxembourg taxpayers to sell such film-derived tax certificates to companies which do have tax liabilities in the duchy.

So far they are not many takers, and inevitably much of the running in building a local programme-making industry will have to come from the national champion, RTL.

It has plans to increase local production, and also to get more involved in the business of dubbing and sub-titling, an activity ideally suited to multilingual Luxembourgers in the heart of Europe.

David Buchan

The shrinking steelworker: though Arbed cut its workforce from 27,000 in 1975 to about 10,000, the company says it still has about 2,000 workers too many. Arbed plans to shed these jobs over the next two years, but however fast the manufacturing sector runs the banks seem to run faster



FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday October 25 1989

INSIDE

The ripples start to spread

As UAL's share price continues to collapse in the wake of the failure to create the largest employee-owned company in the US, investors and stock speculators are not the only ones to be hit. The company, parent of United Airlines, also has a welter of internal problems. Its pilots, flight attendants and machinists are all seeking new labour contracts. Roderick Oram reports. **Page 22**

Strength through growth

Although acquisitions helped UK-based public relations group Shandwick to nearly double its pre-tax profits in the year to the end of July, chairman Peter Gummer maintains that underlying organic growth is running at between 20 and 25 per cent. Companies acquired during the past year accounted for £4.7m out of total operating profits of £16.7m as the group unveiled pre-tax profits of £14.8m on turnover of £126.1m. **Page 26**

Fragile feelings in France

After being buffeted again yesterday in the wash of Wall Street, the Paris market is looking particularly fragile. The CAC General index had until October 13 been rising steadily since February, but in recent weeks it has seemed to lack any sort of strong underpinning from the fundamentals. **Page 44**

Stretched to the limit

The news that Mr Christopher Skase's Qintex media and resorts group is struggling to make ends meet adds the name of yet another antipodean entrepreneur to the list of those who have found themselves stretched on the rack of illiquidity, writes Chris Sherwell. And, while the fall of these stars has undoubtedly been swift, their rise was no less so: before 1984, most were barely known in the domestic business firmament, let alone internationally. **Page 21**

Gloom in the Midlands

Pressac, the Nottingham-based manufacturer of electrical connectors and components, yesterday outlined plans for a re-shaping of the business to counter a severe downturn in profits caused by the collapse in demand for consumer electronics. The pre-tax figure for the year to July fell from £3.34m to £2.25m on turnover down from £33.7m to £32.9m. Meanwhile, Frederick Cooper, the Midlands mini-conglomerate in which Newman Tonks has a 4.9 per cent stake, accompanied the announcement of a 30 per cent increase in pre-tax profits, from £6.7m to £8.72m, with a warning that earnings were likely to stand still in the current year. Richard Tomkins reports. **Page 25**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachener			
Muench	853	+	17
Goldschmidt	436	+	16
Horten	326	+	12
Falls			
AES	250.1	—	79
BMW	543.5	—	10.5
Brown Boveri	676	—	16
NEW YORK ($)			
Falls			
AMR	68¾	—	1⅞
Man's Hanover	38⅞	—	1
Goodyear	49⅞	—	2⅞
Tenneco	57⅞	—	1½
UAL	170	—	9
BankAmerica	29½	—	1¼

PARIS (FFr)			
Rises			
Epeda	1360	+	94.1
Sida Ross	42	+	3.2
Falls			
Geophy Sig	765	—	51
Metaleurop	227	—	14.9
SFIM	1635	—	107.4
TOKYO (Yen)			
Rises			
Kokune	1230	+	130
Odakyu Real Est	1800	+	160
Surugaya	1070	+	91
Tokyu Rec	1910	+	270
Falls			
Fujitsu Denso	2200	—	200
Myojo Foods	1190	—	80

LONDON (Pence)			
Rises			
Bradstock	209	+	11
Britannic	556	+	13
Cookson	308	+	5
FR Group	198	+	5
Heath (CE)	488	+	13
Kwik-Fit	159	+	7
Refuge	647	+	10
Ross Catherall	244	+	37
Sainsbury (J)	262	+	6
Steel Burrill	248	+	10
Falls			
ASDA	143	—	2
British Aero	556	—	14
BP	294	—	5½
Burmah	660	—	16
Calor	430	—	14
GEC	216½	—	9½
Jaguar	694	—	4
Lucas	611	—	3
Midland Bank	313	—	12
Morgan Grenfell	384	—	15
Rank Org	848	—	31
Royal Ins	475	—	13
STC	289	—	13
Vickers	215	—	18

Ford prepared to make full bid for Jaguar

By Kevin Done, Motor Industry Correspondent, in London

FORD, the US automotive group, is prepared to make a full bid for Jaguar, the UK luxury car maker.

Ford said yesterday that it held at least 11.95 per cent of the Jaguar equity (21,935,300 shares), and disclosed that it had told the US authorities that it was "prepared to make a bid for 100 per cent" of the company.

Ford's move spells out for the first time that in its determination to gain control of the UK luxury car maker it might enter an all-out bid battle with General Motors of the US, the world's biggest car maker and Ford's arch domestic rival.

The Ford announcement comes as Jaguar is seeking to reach a final agreement with General Motors under which GM would take a minority stake in Jaguar and would enter into a series of far-reaching "manufacturing, marketing, and other commercial joint ventures".

Jaguar and GM are expected to announce details of the deal shortly. Sir John Egan, Jaguar chairman and chief executive, said last week that he hoped to be able to put the deal to shareholders "within a month".

Under the influence of the general fall in share prices both in London and New York the Jaguar share price closed in London yesterday at 694p, a fall of 4p.

Ford disclosed that it had paid a total of £131.58m ($210.5m), at an average of 663p per share, for its initial 19,850,000 shares. It bought its first 400,000 shares at 431p on September 19, the day it first announced its intention to buy up to 15 per cent of Jaguar. Subsequent purchases between October 5 and October 19 were made at prices ranging from 642p to 727p.

Ford's statement of intent is contained in a special filing it has had to make to the US Securities and Exchange Commission under the terms of the Williams Act, which requires that any US company must declare its intentions about another company in which it holds a stake of more than 5 per cent.

Previously, Ford had announced publicly only that it was seeking to take a stake of up to 15 per cent in the UK luxury car maker, although it has said that its intention was to become a "major shareholder".

At present, Jaguar's articles of association limit individual shareholders to a maximum stake of 15 per cent. This limit can only be changed with the consent of the UK Government, which holds the so-called golden share, and the approval of three-quarters of the shareholders.

The golden share expires at the end of next year, and it is understood that Jaguar and GM are unlikely to seek its early removal, because this provides some temporary protection from an all-out takeover bid from Ford.

Lex, Page 18

Jeremy Lancaster, chairman of Wolseley, the world's largest plumbers' and heating merchants, which yesterday reported a 23 per cent profits rise. Page 25

Three keys to Olivetti's fight back

Alan Cane looks at the Italian computer group's recovery strategy

Vittorio Cassoni

Olivetti (billion Lire)	1985	1986	1987	1988
Net revenues	6,140.5	7,316.9	7,375.5	8,407.4
Operating income	640.1	460.0	337.0	406.0
Operating income/revenues (%)	10.4	6.3	4.6	4.8
Net income	503.7	565.5	402.0	356.2
Net income/revenues (%)	8.2	7.7	5.5	4.2
Shareholders' equity	2,279.7	3,153.7	3,281.4	3,371.7
Net financial indebtedness	190.0	(407.4)*	(531.0)*	156.7
Number of employees	48,944	59,091	58,087	57,560
(Year end figures)				

* Net liquid resources

Olivetti last week returned to the front line of the global computer war with a display of technological virtuosity and marketing aggression which belies its lacklustre performance of recent years.

It announced that it was launching worldwide a family of computers based around the most powerful microprocessor chips so far designed by Intel, the leading US semiconductor company.

The initiative by Italy and Western Europe's leading personal computer company comes after five years of such travail for Olivetti that at times there have been serious worries that its technological and commercial flair had deserted it for good.

After being in the vanguard of Europe's efforts to catch up with the US computer industry, Olivetti's operating profits slumped from L580bn ($422m) in 1984 to L406bn in 1988. Last month it reported a 40 per cent fall in profits to L102.6bn for the first half of 1989.

Worse, its balance sheet was battered so badly during this period that in spite of declining profits in 1989 it had to turn to its shareholders for funds through a shares-and-bonds rights issne, designed to raise up to L1,279bn, the first increase in Olivetti's ordinary share capital since 1980.

While it remained the dominant European personal compnter manufacturer, its repntation suffered as it failed to master successive waves of semiconductor technology quickly enough to sustain its competitive position. Notably it trailed Compaq, the US leader in the high-performance sector of the personal computer market by fully 18 months in bringing out machines based on Intel's i386 microprocessor. This chip design is one which experts agree is fundamental to the future of the personal computing industry.

Technical flair is not always a reliable path to high profits. So the real qnestion which last week's new product launch raises is whether it reflects a fundamental change at Olivetti and heralds a long-term revival in its fortunes. The depressing example of former stars of the Western European compoter firmament like Norsk Data and Nixdorf scarcely encourages optimism on this score. But neither can it be ruled out.

The western European market, wbare Olivetti is strongest, is still expanding vigorously. Moreover, Olivetti's new initiatives reflect some fundamental changes at the company.

The resurgence of Olivetti as a technological force can be traced to the appointment of Mr Vittorio Cassoni as group managing director. In the past three years Mr Cassoni has built a formidable repntation in the compnter industry. In 1986, when Olivetti and AT&T reached a reciprocal marketing agreement, Mr Cassoni, then Olivetti's marketing director, was seconded to head tbe US gronp's fledgling computer division.

In his role at AT&T be was seen as the eminence gris behind a compnter software alliance between AT&T and Sun Microsystems. This deal so frightened the leaders of the industry, IBM and Digital Equipment (DEC), that they sank some of their differences and a lot of money into setting up a co-operative organisation, the Open Software Foundation, to develop competitive products.

Since Mr Cassoni's return to Olivetti last year there has been a dramatic change of pace at the company. In February this year it launched personal computers compatible and competitive with the latest design from IBM; in April, it was one of the first companies to announce machines featuring a microprocessor running at the maximum speed today's technology will allow.

All this comes from a company which hardly managed to pot a foot right after 1984. Before that date, under Mr Carlo de Benedetti, it had successfully made the transition from typewriter maker to European leader in personal computers.

Mr Cassoni, a 47-year-old graduate engineer from Parma who exudes personal charm and restless energy in generous quantities, explains the company's predicament in recent years this way. "Yoo pay dearly for delay . . . every new technology has a price curve. As the number of competitors using the technology increases, the price drops. The early part of the curve is where you make money and we have not been quick enough into the market, since the launch of the our M24 model in 1984.

"We are regaining our position this year, but it will take more than two announcements of the kind we made in February and April to rebuild an image of technological leadership."

Improving the time it takes to get products on to the market was the first constituent of a three-part formula Mr Cassoni devised to return Olivetti to health. The new computers were, in fact, designed and brought to production in just 12 months.

The second part of the recovery plan was clearly to be seen last week in Brussels where the new computers were announced. Alongside Mr Cassoni and his colleagues on the platform were Mr Andrew Grove, chief executive officer of Intel, Mr Jeremy Butler, head of international operations for Microsoft, the most important personal computer software company and Mr Sam Spadafora, representing the Santa Cruz Operation (SCO), which works with Microsoft on "Unix" operating software. Their presence was evidence of the rash of alliances which are beginning to characterise the industry.

"We have to recognise," Mr Cassoni said, "that there is now an industry infrastructure. Intel, Microsoft and the SCO own the basic hardware and software technology that drives this industry. To have a strategic relationship with each of them is fundamental for a company like Olivetti."

All the leading computer manufacturers, Mr Cassoni agreed, were seeking just such relationships with the likes of Intel and Microsoft. The task he faced was finding ways in which Olivetti could forge a special relationship with them.

Mr Cassoni said: "Over the past 15 months, we have worked with them on projects that are of as mnch value to them as they are to ourselves. We are leading, for example, a project involving intel, AT&T and some other companies in developing a multiprocessing version of Unix for the i486 and i860 microprocessors. That is fundamentally important both for us and for Intel, and we put our most precious resources into work of that kind, which builds ties."

The third leg of Mr Cassoni's strategy involves strengthening the company's offerings in its key markets, the banking sector, public administration and third party maintenance: "You cannot simply take a plain vanilla i386-based machine and place it in a bank – yon have to add value through networking and software."

Again, to provide it with a competitive edge, Olivetti is seeking specific alliances with software houses which create special software for particular customers in these areas.

Because of the rapidly escalating power of the new machines coming on to the market and the way this has lowered the barriers on entry to new competitors the computer industry is at a fundamental turning point.

The question which will be answered in the next few years is which of the competitors will ride the new trends the best. Olivetti, with more aggressive management and a healthier balance sheet does seem to be back with at least a fighting chance of staying in contention.

Correction
Paribas

in yesterday's report on Paribas's bid for Navigation Mixte, we published a drawing of Mr Jean François-Poncet, senator, but intended to publish a drawing of his cousin, Mr Michel François-Poncet, chairman of Paribas. We apologise for this error.

Vickers acquires Ross Catherall

By Ray Bashford in London

VICKERS, the engineering, defence equipment and luxury car group, yesterday announced the £108.2m ($173.1m) cash purchase of Ross Catherall, the special steels, alloys and investment casting manufacturer.

Finance for the acquisition will come from the £250m Vickers received earlier this year from the sale of Howson Algraphy, the US lithographic printing plates manufacturer.

The purchase ends Ross Catharall's seven-month lifa as a publicly-listed company and leaves the shareholders who took the shares up at 125p with a more than 100 per cent appreciation on their investment.

Vickers is offering 255p a share and has received approval from shareholders with 67 per cent of the capital.

Sir David Plastow, chairman, said the Ross Catherall acquisition formed part of the company's strategy of buying complementary businesses which had significant market shares in manufacturing areas.

He said that there was virtually no overlap in the operations of the two companies and that the Ross Catherall management would play a significant role in the merged group's operations.

Ross Catherall will be merged with Vickers Precision Components, the gas turbine and aerospace components manufacturer, to form a division specialising in component production for the aerospace and automotive turbocharger markets.

The Vickers chairman said the combined gronp would have annual sales of £68m. It is expected quickly to establish an important international presence, particularly in the aerospace industry, which is showing the potential for continued strong growth.

Both companies have Rolls-Royce as a leading purchaser of their precision engine components and alloys for aircraft engine production. Following the merger, Rolls-Royce is expected to account for about 40 per cent of sales to the aerospace industry.

Sir David said the merged group would have a strengthened potential to increase sales in the US through General Electric and Pratt and Whitney.

Ross Catherall's experience in the US, where it has a manufacturing facility in California, proved highly attractive to Vickers, which has been attempting to expand its US base.

Mr Des Mawson, chairman of Ross Catherall, yesterday also announced a 20 per cent increase in pre-tax profits to £4.4m during the six months to September 30 after a 14 per cent rise in turnover to £24.2m.

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Dentsu plans overseas expansion

By Alice Rawsthorn in Tokyo

DENTSU, the Japanase marketing group which is the world's biggest advertising agency, plans to expand in the US and Europe by acquiring an international advertising network.

Although Dentsu occupies an extraordinarily powerful position in the Japanese advertising industry, it has been cautious in its approach to international expansion. Last year, less than 10 per cent of its $9.5bn in billings – and $1.2bn gross income – came from outside Japan.

Mr Kouichi Segawa, deputy director of its overseas planning division, said it plans to establish an international network of agencies probably by acqnisition within the next two years.

Until now, Dentsn and the other Japanese marketing groups have eschewed acquisitions in favour of start-ups and joint ventures in other countries. Dentsu owns several small agencies in the US, Europe and Asia. It also has a one-third share in HDM, the international advertising network it runs as a joint venture with Young & Rubicam of the US and Eurocom of France.

Mr Segawa said Dentsu realised acquiring an established network was the only way to become a powerful player in the international advertising industry.

He said Dentsu had recently been approached by an international investment bank to acquire part of Saatchi & Saatchi, the UK marketing gronp, recently subject to takeover speculation. However, the Japanese group decided it would not be culturally compatible with Saatchi.

The new emphasis on international expansion is the initiative of Mr Gohei Kogure, who became president of Dentsu four years ago. He has since established an international management team to map out a more ambitious overseas strategy.

Dentsn, which made net income of $102m on sales of $8.9bn in the year to March 31, is potentially a formidable force in the international advertising industry. In Japan, where it wields great political influence, it commands nearly 25 per cent of the buoyant advertising market.

Dentsn's decision to embark npon international acquisitions may encourage other Japanese advertising agencies to follow suit.

Until now, they, too, have adopted a cautious approach to international expansion. In Japan, agencies encompass every area of marketing, not just advertising, and can work on a number of conflicting accounts. They have been reticent about moving into new, very different markets.

INTERNATIONAL COMPANIES AND FINANCE

Dutch to sell off NMB stake in Fl 1.34bn issue

By Laura Raun in Amsterdam

ONE-THIRD or more of NMB Postbank, the newly-merged Dutch bank will be privatised in early December in a Fl 1.34bn ($640m) international equity offer that may rank as the second largest flotation in Dutch history.

The Dutch Government announced yesterday it would privatise a "significant part" of its 49 per cent stake in NMB Postbank. Another 4.65 per cent that has been temporarily parked at Pierson, Heldring & Pierson also will be sold.

If 30 per cent were sold it would amount to around 28m shares. The exact percentage will be decided at the last minute, according to a Dutch finance ministry spokesman. NMB Postbank shares closed yesterday at Fl 240.50, but will be split 5-for-1 before the privatisation, implying a price of around Fl 48.

The bank, the fourth largest in the the Netherlands with assets of Fl 163bn, is the result of the merger earlier this month of NMB, the third-ranking commercial bank, and Postbank, which was owned by the Dutch Government.

NMB Postbank, Algemene Bank Nederland and Goldman Sachs will co-lead the offer in a gesture that is something of a compromise, following NMB Postbank's insistence on a top role in its own share offer.

ABN's appointment was considered by some to be a political gesture – government compensation for arch rival Amsterdam-Rotterdam getting the syndicate leadership in DSM's privatisation. A "substantial portion" of the shares will be sold abroad, according to the Dutch finance ministry. About three-quarters of all shares are in Dutch hands now.

Whether the issue will be pitched primarily to institutional or private investors has yet to be decided.

Around 25 per cent of the shares are held by institutions and another 25 per cent by private investors. Payment will be made in January so the proceeds will help narrow the Government's geping budget deficit in 1990. The biggest privatisation and flotation in the Netherlands was the Fl 1.5bn sale of one-third of DSM, the chemicals company, last month. In January an initial one-third of DSM was sold for Fl 1.3bn.

DnC and Bergen Bank agree share swap ratio

By Karen Fossli in Oslo

DEN NORSKE Credithank (DnC) and Bergen Bank, two of Norway's top three banks, which announced plans this month to merge to form Scandinavia's seventh largest bank, agreed an exchange ratio for shares of two DnC shares for one Bergen Bank share.

The proposal is conditional, however, on approval of both banks' supervisory boards which have arranged extraordinary meetings for November 28. DnC and Bergen Bank also filed a request for a concession for the formation of Den norske Bank (DnB), the new merged bank, with the Norwegian finance ministry. The two banks will have combined assets of NKr210bn ($30.3bn).

The proposal for the exchange ratio for shares is based on recommendations by the banks' advisers: Goldman Sachs on behalf of DnC and Morgan Grenfell for Bergen Bank. It is based on evaluations of the two banks' net asset values, their stock exchange values, earnings and "other relevant factors," the banks said.

Mr Egil Gade Greve, chief executive of Bergen Bank who is to become chief executive of DnB, explained that the proposed exchange ratio is a result of a total appraisal based on estimates, and "has not been based on precise mathematical principles."

The transaction calls for Bergen Bank to acquire DnC. Based on eight month figures, Bergen Bank is considering a dividend for 1989 of NKr10 a share, while a dividend of NKr5 a share is being considered for those shares issued at the time of the merger, scheduled for January 1 1990.

In the first eight months DnC posted net losses of NKr272m, in spite of an increase in operating income to NKr1.33bn (NKr934m). For the year, DnC expects losses on loans and guarantees to reach NKr1.6bn. Bergen Bank expects to post losses on loans and guarantees of NKr1.3bn in 1989. In the eight-month period, net profits tripled to NKr354m (NKr101m). Group operating profits rose to NKr1.45bn (NKr930m).

Asko rejects 'laughable' fraud allegations

A West German retailing group denies falsifying its accounts reports Haig Simonian

Asko, the West German retailing group which has recently faced a barrage of domestic and foreign criticism about both its finances and trading practices, has strenuously rejected allegations in the German press that it has been involved in falsifying its accounts.

The claims, which came in last week's edition of Stern magazine, were based on information said to have been gathered by German crime officials who raided a number of the group's offices in June in connection with an investigation into alleged tax and customs irregularities at its Adler clothing subsidiary.

Asko says investigations against some of its executives have now been called off on grounds of lack of evidence. Investigations are still proceeding into the activities of certain managers at Adler, although that affair is also likely to be dropped soon, it says.

Asko has consistently claimed the accusations were part of an extortion attempt by a former manager of one of its subsidiaries. However, in its latest issue, Stern also claimed that, whils looking through large quantities of confiscated documents, crime investigators had come across material which they believed raised a suspicion that Asko had been falsifying its accounts. "The claim of falsifying accounts is laughable," said Mr Helmut Wagner, Asko's chief executive. The group's accounts had been adequately audited and approved, it maintained.

The continuing media pressure on Asko comes at a particularly difficult time. Asko has a complex ownership structure, meaning that it is still defending itself from comparisons with Co op, the German retailer which was rescued from the brink of bankruptcy last month after allegations of years of financial malpractices by some of its former top executives.

Moreover, Asko has suffered from the fact that its roots, like Co op's, stem from the German co-operative retailing movement. And Mr Wagner, like Mr Bernd Otto, the former chief executive of Co op, was in his youth actively engaged in left-wing politics, making him a bogey of some of Germany's right wing press.

Indeed some papers, apparently seeing in Mr Wagner a potential future German economics minister, have been engaged in a particularly vituperative campaign against the group in general and its chief executive in particular.

However, many of Asko's problems are of its own making. Before the Co op affair, Asko's complex structure was the object of much unfavourable comment. Since the revelations about Co op, attention has switched all the more relentlessly onto Asko's structure.

Moreover, Asko's own behaviour just before its DM870m ($470m) rights issue last October has been subject to comment.

Both the press and investors believed that two big shareholders, both of which are closely associated with Asko, would take up their rights. Their decision not to do so left many investore angry and Deutsche Bank, which led the deal, having to place a large additional amount of equity.

The group has taken some steps to improve its image. The ebullient Mr Wagner, whose showy style is not to everyone's taste, has been making a conspicuous effort to step out of the limelight and establish a more collegial style of management at the top. Meanwhile, Asko has changed its auditors since the Co op affair and announced last week that it would produce fully-consolidated accounts from the present financial year.

Including figures for a number of associated companies will satisfy certain critics and remove some of the most obvious similarities with Co op. The company also says it had commissioned a leading group of auditors to check its accounts from 1985-88 in order to reject the claims raised in the press regarding its accounting policies. However, criticisms reached such proportions late last week that even Deutsche Bank, Asko's banker, was forced into the fray.

In an almost unprecedented telexed defence of its relationship with the company, the bank vehemently rejected claims that it had in the past recommended clients to purchase Asko shares at "exaggerated" prices without sufficiently looking into the group's affairs.

It also denied that it had accepted Asko's figures without fully satisfying itself as to their accuracy.

"Since the beginning of its business relationship with Asko in 1977, business and accounting reports from Asko have been very carefully evaluated and the figures analysed exactly," it emphasised.

The bank concluded by expressing confidence in Asko's accounts and in the ability of its auditors to do their job properly.

In spite of the flood of adverse publicity, Asko has been going about its affairs, notably acquisitions, which have been responsible for catapulting it to the top league of German retailers in less than a decade.

Holland remains its main focus at present. Undaunted by the failure of its legal bid to oblige Ahold, the Dutch supermarkets chain, to re-enter co-operation talks, Asko has now asked the Dutch courts to examine the entire procedure of issuing preferred shares to dilute the voting power of an unwanted shareholder.

That was the method Ahold used to respond to Asko's purchase of a 12 per cent stake of its shares last August. At the same time, Ahold summarily ejected the German group from the three-way alliance being forged between Dutch, French and UK retailers.

Unbowed by those blows, Asko has in the past 10 days bought an 8.8 per cent stake in Macintosh, a Dutch retailer which had sales of some Fl 1.1bn ($525m) last year. Some 56 per cent of the shares in Macintosh are owned by DSM, the Dutch group, which has indicated it does not wish to keep the stake, triggering speculation about further purchases by Asko, potentially as a fall-back should its continuing attempts to develop a closer relationship with Ahold fall through.

Further acquisitions are likely, both domestically and in neighbouring European markets, notably Holland, where Mr Fred Lachotzki, Asko's deputy chief executive, has long experience. But recent events have shown that Asko's image still needs some polishing, especially at a time when much of the German press, smarting after the Co op affair, is looking for a substitute scoop.

Pargesa ahead halfway

By William Dullforce in Geneva

PARGESA, the Geneva-based financial and industrial group headed by Mr Gerard Eskenazi and Mr Albert Frère, yesterday reported SFr106.5m ($65.7m) in net consolidated earnings for the first six months.

This compares with the SFr160.2m achieved in the full year of 1988.

Comparison with the first half of 1988 was not relevant, Pargesa said, because during that period it had received a significant positive contribution from Drexel Burnham Lambert, the New York investment bank.

Pargesa's stake in DBL yielded a loss of SFr33m for 1988 as a whole, after the bank had to absorb a fine of $650m imposed by the US Securities and Exchange Commission.

In May Pargesa said it expected to resume the growth rate – 21.3 per cent a year in net earnings in the previous four years – which had been missed last year.

Yesterday it announced that its main operating companies were on budget, with contributions from Parfinance and Groupe Bruxelles Lambert having increased markedly.

Current forecasts showed that net earnings would be higher than in 1988, "which should enable the company to continue its dividend policy." Last year the holding company raised its dividend to SFr65 from SFr62 a share.

Générale des Eaux sees FFr93bn year-end sales

By George Graham in Paris

GENERALE des Eaux, the leading French water and services group, reported a 30 per cent increase in first half profits to FFr749m ($118), thanks to stronger earnings in its water, energy and cleaning divisions and to gains from its portfolio of minority holdings.

The group is forecasting a 25 per cent gain in net profits for the full year after last year's FFr1.05bn, with sales likely to reach FFr93bn, including around FFr20bn outside France.

Consolidated operating profits rose 24 per cent to FFr1.18bn on sales 13 per cent higher at FFr45.4bn.

Earnings in cable television were depressed because a large number of new local networks came on stream, involving heavy start-up expenses.

The group's radio telephone activities also showed the costs of expansion to cover the entire country.

Earnings from minority holdings included, for the first time, around FFr100m from Générale des Eaux's 20 per cent stake in Electrafina, the Belgian holding company.

Results from Canal Plus, in which Générale des Eaux has a 22 per cent stake, rose 21.4 per cent.

Fokker projects double earnings

FOKKER, the Dutch aerospace group, is predicting this year's net profit will be at least Fl 26.6m ($12.7m), twice the 1988 figure. In the first half of this year the group made net profit of Fl 14.1m, writes our financial staff.

The group made the forecast in the prospectus for a Fl 150m, 4.75 per cent convertible subordinated bond issue. The proceeds of the issue, combined with a 4 per cent SFr150m ($92m) bond, will be used to increase production capacity for the Fokker-100, a 107-seater jet aircraft.

Fokker plans to invest about Fl 300m in a second Fokker-100 assembly line which will raise annual production capacity to 67 in 1993, from 46 at present.

Murdoch negotiates to buy 25% of Grupo Zeta

By Tom Burns in Madrid

MR RUPERT Murdoch's News International was yesterday negotiating the acquisition of 25 per cent of Grupo Zeta, a large Barcelona-based newspaper, magazine and book publishing company for Pta7bn ($59m). The deal could allow the Australian-born media magnate an option for an eventual controlling interest in the Spanish company.

Last month News International earmarked Pta2.5bn for a 25 per cent share in the start-up costs of Univision, the Spanish television company lead by Grupo Zeta which bid unsuccessfully for a commercial TV franchise.

It was understood yesterday that Mr Murdoch's interest in the Zeta group, Univision's parent company, was not a substitute for the earlier failed investment but "part and parcel of strategy to enter the Spanish market."

Grupo Zeta owns a daily newspaper El Periodico which is published in Barcelona. Its stable of magazines includes Tiempo, a best-selling newsweekly, and Interview, a publication that mixes soft porn and political scandal.

Neither Grupo Zeta nor News International would confirm Mr Murdoch's prospective acquisition.

INTERNATIONAL COMPANIES AND FINANCE

Exchange authorities examine Qintex asset sale plan

By Chris Sherwell in Sydney

SHARES in Mr Christopher Skase's Qintex Ltd and Qintex Australia remained suspended yesterday as Australian stock exchange authorities sought further information following his revelation of plans to sell key assets and merge the two companies.

Mr Skase said he was selling his Mirage resort properties in Australia and the US, plus the Adelaide station in his Channel Seven television network. Two regional stations, already the subject of an uncompleted disposal, will still be sold.

Yesterday the antrepreneur was reported to be locked in meetings with a consortium of banks, led by Wardley Australia, which is said to have outstanding facilities to the Qintex group of around A$850m (US$658m). The group's overall debt is estimated at A$1.5bn.

Key shareholders – the AMP Society and FAI Insurances – believe a resolution of the group's problems was possible, and independent analysts agreed the group seemed unlikely to be forced into liquidation.

Possible bnyers for the Mirage resorts include the two Japanese gronps Mitsui and Nippon Shinpan, which in March agreed to invest a total of A$443m for 49 per cent equity in the resorts. It is thought they may have first right to buy the remaining 51 per cent stake, subject to government approval. Company officials said in Tokyo they had not decided whether to buy the Mirage resorts stake.

In an overnight letter to the exchange, Mr Skase admitted "group cash flow has been negatively impacted by in excess of A$200m." But he said the asset sales would generate more than A$600m, which would in turn reduce interest expenses by A$120m.

Mr Skase blamed the group's liquidity problems on higher interest rates, the effect of the domestic pilots strike on the Australian resorts and the deferred disposal of the two regional television stations, which has been delayed by the collapse of the DFC group in New Zealand.

He also cited the "unlawful termination" of his US$1.5bn purchase of MGM/UA Communications through Qintex Entertainment, the 42 per cent-owned US arm of Qintex Australia.

Qintex Entertainment is now facing litigation in relation to the collapse of the MGM/UA purchase, and last week it filed for Chapter 11 bankruptcy protection.

On his merger plan, Mr Skase said: "It is proposed that the ultimate holding company, Qintex Ltd, and Qintex Australia Ltd, will be amalgamated into a new single corporate entity, which will significantly rednce administration and operating costs."

Regarding Qintex Australia's results for the year to July, which are due by next Tuesday, he said these would show profit before interest, tax and depreciation of more than A$170m. Net interest expenses, he said, would be A$105m.

He added that shareholders' funds would not be less than A$1bn, up from the previous year'e A$725m, and insisted that the net asset backing at book values would not be less than A$3.00 per share – far ahead of the market's valuation before suspension of 16 cents a share. Stock exchange officials yesterday responded to Mr Skase's revelations by asking further questions of the Qintex group. They also voiced their disappointment at the group'e failure to answer its deadlines on Monday.

Skase: latest antipodean high flier brought to earth

The news that Mr Christopher Skase's Qintex media and resorts group is struggling to make ends meet adds the name of yet another antipodean entrepreneur to the list of those who have found themselves stretched on the rack of illiquidity, writes Chris Sherwell.

The list has now become so long few people can easily detail its names. And while the fall of these stars has undoubtedly been swift, their rise was no less so: before 1984, most were barely known in tha domestic business firmament, let alone internationally.

Most people now understand the general reasons behind their ascendancy: financial deregulation mada borrowing easier, banks (especially newly-arrived foreign ones) wanted fresh outlets after the Third World debt crisis, and a bull share market roared and crashed.

There were specific reasons too: put charitably, a strong tradition of entrepreneurship and a pressing need for domestic economic restructuring. Less charitably, greed, lax regulation, and a willingess to bend rules.

By 1986 – three years after the Labor Party arrived in power in Australia and two years after its counterpart won government in New Zealand – the entrepreneurs were a force to be reckoned with.

Three years later, things have changed. Since October 1987, the following stars have dimmed to vanishing point: Mr Laurie Connell (Rothwells), Mr Bruce Judge (Ariadne), Mr Kevin Parry (Parry Corporation), Mr Allan Hawkins (Equiticorp), Mr Colin Reynolds (Chase Corporation), Mr Brian Yuill (Spedley), Mr George Herscn (Hooker), Mr Pat Burke (Hartogen) and Mr Bob Ansett (Budget). Others simply faded: the late Mr Larry Adler (FAI Insurances), Mr Robert Holmes à Court (Bell), Mr Alan Bond (Bond Corporation), Mr Frank Lowy (Westfield), and now Mr Skase.

Bond Corporation'e losses announced last week of almost A$1bn (US$775m) were the worst in Australian corporate history and may yet go higher. Ariadne held the previous record of A$640m, followed by the Bell companies under Mr Holmes à Court.

If the shareholders have lost, the banks have also learned some hard lessons. Massive losses have been notched up in New Zealand by the Bank of New Zealand, NZI and DFC, and in Australia by the State Bank of Victoria. The bigger names are suffering as well.

What is astonishing is that those lessons could ever have been forgotten. Arrangements to borrow against rising values of shares and property are never sustainable, especially when constructed on a pyramid basis. And operating businesses generating cash flow are always essential to cover borrowings and furnish recurrent profit.

To be sure, not all antipodean high-flyers have crashed. Look at Mr Kerry Packer (whose Consolidated Press is privately owned), Mr Rupert Murdoch (News Corporetion), Mr John Spalvins (Adelaide Steamship) and Sir Ron Brierley (Brierley Investments) and Mr John Elliott (Elders IXL), who has only just risen to true entrepreneurial status by acquiring direct control of his company through a group called Harlin, in one of the world's biggest takeovers.

More importantly, Australasia still has some blue chips which are blue in anybody's eyes. New Zealand has the Fletcher Challenge forest products group, while Australia has companies like the steel, minerals and petroleum giant Broken Hill Proprietary, the mining groups CRA, Western Mining and MIM, the industrial groups BTR Nylex, Pacific Dunlop and CSR, and retailer Coles Myer.

From now on, European and North American capital markets – Belgian dentists and Mid-West doctors – will think twice about Australian corporate paper abroad. And the great deregulatory experiment is tarnished at home.

Malaysian Nestlé stake for sale

By Lim Siong Hoon in Kuala Lumpur

NESTLE, the Swiss food company, is to sell an 11 per cent stake in its 78-year-old Malaysian subsidiary, and is charging a hefty premium for its flotation.

Nestlé's divestiture of 21m shares for 109m ringgit (US$41m) is the last stage in restructuring its subsidiary that has dragged on for more than five years.

The group initially opposed passing substantial ehares of its subsidiary to Malaysians. But it later won the Government's approval for a two-stage divestiture plan that allowed it to retain control of its profitable subsidiary. When ready, the restructured company is to be split 51:49 between the Swiss parent and Malaysians.

In tha first divestiture stage, Nestlé's 100 per cent shareholding was reduced in 1984 to 62 per cent through a private placement: 30 per cent to Malay institutional investors and the balance to distributors. The divestiture now is being made on top of the earlier private issue, said a Nestlé official.

At 5.20 ringgit a share, Nestlé's share offer is the most expensive made on the Kuala Lumpur stock exchange. The new block of Malaysian shares will be split three ways: 8 per cent to distributors of Nestlé's products, 28 per cent to the company's 2,000 employees, and the 14.3m remaining shares to be sold openly.

Nestlé relied on the strength of its goodwill to justify the high price for its shares. For the year to last December, its Malaysian operations reported sales of 771m ringgit. It produced a pre-tax profit of 80m ringgit after the subsidiary had cut staff and reorganised to help lift profit margins.

In terms of profits, Nestlé Malaysia now ranks among the top 20 companies quoted on the Malaysian and Singapore markets. Malaysia'e Capital Issues Committee has approved the issue, expected for listing by December, the company said in a statement.

Nestlé's divestiture was initiated to comply with government edicts made in the early 1980s to accommodate local interest groups. Nestlé Malaysia, a holding company, was then formed and 30 per cent of its shareholding privately placed to Malays. The biggest shareholder among them is Lembaga Urusan dan Tabung Haji, an Islamic savings institution.

Nestlé's Malaysian group now consists of Nupro, a marketing company, and five factories.

Cadbury loss signals cola war

By Chris Sherwell in Sydney

CADBURY SCHWEPPES, the British confectionery and soft drinks group, has lost its Pepsi-Cola franchise in Australia to Lion Nathan of New Zealand, ending a nine-year arrangement with the US group.

The change heralds an escalation in the battle for Australia's cola market. Pepsi has risen from almost nothing in 1980 to about 10 per cent, well short of Coca-Cola's share. But Cadbury Schweppes will be launching its own cola.

For Lion Nathan, the move represents a second major assault on the Australian beverage market. The group is also planning a A$2.5bn (US$1.9bn) joint venture with Mr Alan Bond, running his Australian Swan, Tooheys and Castlemaine XXXX breweries.

The new agreement takes effect from January 1, when the old one expires. According to reports from Auckland yesterday, Lion will pay nothing up-front, and will hire bottling capacity to produce Pepsi-Cola until it has constructed a modern plant in Sydney.

Its battle to improve Pepsi's share is lent added meaning because Coca-Cola is now represented in Australia through the restructured Amatil group, recently renamed Coca-Cola Amatil. Amatil was previously controlled by BAT, which now owns the W.D.& H.O. Wills cigarette group.

Mr Frank Swan, chief executive of Cadbury Schweppes in Australia, yesterday played down the decision to part company with Pepsi.

He added the decision was mutual and nothing to do with the fact that the company has the Coca-Cola franchise in the UK.

Samsung and Corning to open TV tube plant

By Maggie Ford in Seoul

SAMSUNG CORNING, the South Korean-US joint venture company, will today inaugurate a $270m plant making TV picture tubes and integrated circuit packages as part of a big expansion in South Korea.

The company, a 50-50 joint venture between Corning of the US and the South Korean Samsung Group, plans to spend a further $890m over the next five years in speciality materials.

The investment marks a big diversification by the company into high technology materials for the electronics industry. Set up in 1973, Samsung Corning formerly produced only TV picture tubes.

The plant, in a new government-owned industrial complex, will produce large picture tubes, ceramic integrated circuit packages, alumina powder and other components used in the electronics industry.

INTERNATIONAL COMPANIES AND FINANCE

Bankers Trust posts third quarter $1.42bn net loss

By Martin Dickson

BANKERS TRUST, the New York bank, has registered a third-quarter net loss of $1.42bn, the result of a previously announced $1.6bn extra provision for possible losses on Third World debt.

The figure compared with net income of $162.1m in last year's corresponding period. The loss per share was $17.39 against earnings of $2.01 in 1988.

The provision, announced last week, means the bank has now covered 85 per cent of medium- and long-term loans to the Third World, or 72 per cent of the total. This makes it the second highest provisioned of the US banks, which have made additional allowances for *Third World debt in the current reporting season.*

The ratio of common stockholders' equity to total assets dropped to 3.54 per cent at the end of September, compared with 5.74 per cent at the end of last year.

The bank said that, excluding the provision, third-quarter net income would have been $180m, up $17.9m or 11 per cent over the same period last year. Earnings of $2.18 per share were up 8 per cent.

Mr Charles Sanford, chairman, said that, other than the effect of the special provision, the quarter's results benefited primarily from increased non-interest revenue and a lower effective tax rate.

These factors were partially *offset by increases in non-interest expenses and provision for* credit losses other than the special charge.

Non-interest revenue totalled $505m, up 13 per cent, mainly because of higher fees and commissions, which totalled $232.5m, up $44.4m. Fees from loan syndication and merger and acquisition activity increased.

Other non-interest revenue totalled $96.1m, up $37.3m, mainly because of a gain from a distribution on an equity investment. However, trading revenue fell $33.7m to $32.3m.

The net losses for the first nine months totalled $1.08bn, compared with earnings of $462.2m a year earlier. The loss per share was $13.27 against earnings last year of $5.80.

Prime to axe 2,500 workers

By Karen Zagor in New York

PRIME COMPUTER, the computer equipment maker which was acquired in August by J. H. Whitney, the venture capital firm, in a $1.3bn leveraged buy-out, has begun restructuring to bring costs in line with revenues.

Prime will reduce its workforce by around 20 per cent. About half the 2,500 job losses will be in Massachusetts; there will also be some redundancies overseas.

The company fought an unwanted takeover attempt by MAI Basic Four from last November until June. It has seen profits turn to losses as customers deferred orders during the long battle.

This year's earnings have also been hurt by lay-offs and organisational changes because of the fight.

The Natick, Massachusetts-based company, which is the second-biggest US maker of computer-aided design and manufacturing equipment, will split into four segments – computervision, minicomputers, customer support and international business.

In addition, Prime said it would channel resources into businesses which provided an acceptable return on investment. It would also improve its working-capital efficiency and reduce selling, general and administrative expenses.

The re-organisation will "enable Prime to repay its bank debt over the next four to five years and closely focus on the immediate and future needs of its customers to ensure future growth and profitability," said Mr Russell Planitzer, the computer maker's chairman.

Claims for Hurricane Hugo hold back Sears

By Roderick Oram

SEARS, ROEBUCK has turned in lower third-quarter results reflecting slimmer profits in its core merchandising operations despite a much-vaunted new retail strategy, and heavy insurance losses in the wake of Hurricane Hugo.

Net profits for the three months to the end of September fell to $257.5m or 75 cents a share from $305m or 80 cents a year earlier, on revenues 4.8 per cent higher at $13.18bn against $12.57bn.

Sears Merchandising Group reported a net of $82.9bn against $110.5m a year earlier on revenues of $7.59bn compared with $7.49bn. It blamed the downturn on soft demand for durable goods and increased interest costs in its credit operations.

Seven months ago Sears switched to "everyday low prices" from a policy of regular sales and it narrowed its retail focus a little. Despite these changes, trading volume of stores open more than a year declined each month in *the third quarter, analysts say.*

The group's Allstate Insurance operations reported a net profit of $126.1m, down from $202.7m. Revenues rose 12.8 per cent to $4.23bn from $3.75bn. In the latest period, Hurricane Hugo, which slammed into the South Carolina coast in September, resulted in damage claims exceeding $250m before re-insurability, which reduced Sear's net by $80m or 23 cents a share.

Dean Witter, Sear's financial services operations, reported a third-quarter profit of $35.7m against $27.1m a year earlier. Both securities-related business and Sear's *Discover Card contributed to* the upturn.

For the nine months, Sears' net income was $906.4m or $2.36 a share, down from $1.34bn or $3.52 a year earlier. Revenues were $38.62bn against $35.69bn.

Xerox reports slight rise in third quarter

By Karen Zagor in New York

XEROX, the leading US maker of copying and duplicating equipment, yesterday reported a slight increase in third-quarter earnings and sales.

Net income rose 6 per cent to $155m from $146m a year earlier. Earnings per share were up 3 per cent at $1.41 from $1.37. Revenues rose 7 per cent to $4.4bn from $4.1bn.

Nine-month net income also increased 8 per cent to $492m from $465m and per-share earnings 5 per cent to $4.55 from $4.32. Revenues improved 8 per cent to $13bn from $12bn.

Mr Paul Allaire, Xerox president, said: "The benefits of the restructuring programme we announced in January and the continued tight control of costs allowed us to achieve increased profits, in spite of somewhat softer demand and unfavourable currency *impacts, which combined to* limit revenue growth."

Business products and systems, including office equipment, generated income of $77m in the quarter, up 13 per cent from the previous year. Revenues rose 3 per cent to $3bn.

Xerox's financial services, which has been the company's most profitable division, reported a 1 per cent.

Failed buy-out knocks UAL shares

By Roderick Oram in New York

THE SHARE price of UAL collapsed again yesterday as investors gave up hope of a buy-out of the company, parent of United Airlines.

In a tense five-hour board meeting on Monday, UAL's outside directors took a tough stand against Mr Stephen Wolf, UAL's chairman, and other senior executives. They were continuing their efforts to buy the company after their original $300 a share, $6.8bn offer foundered through lack of bank support 12 days ago.

Failure to create the largest employee-owned company in the US leaves UAL with a welter of internal problems. Its pilots, flight attendants and soon, too, its machinists, seeking new labour contracts.

It also inflicted further heavy losses on investors and stock speculators who bet heavily this month that the $300-a-share offer from UAL's management, pilots and British Airways would succeed.

By early afternoon UAL's stock had dropped $32¾ to $146¾ from Monday's closing price. After the close, the UAL board announced that Mr Wolf and other managers would return to running the airline rather than seeking a buy-out. The directors reportedly told Mr Wolf to choose between remaining chairman or pursuing the buy-out.

Coupled with last week's losses after banks baulked at financing the $300-a-share offer, the stock has virtually halved from its recent high of $285¼. Arbitrageurs' losses are estimated at well over $1bn, by far the worst damage they have suffered from a failed takeover or buy-out.

With the takeover fever broken, UAL's stock is back at price/earnings multiples consistent with other airline stocks. Worse, the industry's performance has begun to erode over the past month in the face of poorer economic conditions.

The board implied in a woolly two-page statement that it could not contemplate any new offer of less than $300 a share – a price which appears unfinanceable in present circumstances. Board support for a lower price might attract shareholder law suits.

Investors feel they have no new players on whom to hang their UAL buy-out hopes. Similarly, Mr Martin Davis, the Los Angeles investor whose initial bid first triggered the frantic interest in UAL stock, would have to offer at least $300 a share under the terms of an agreement he signed with UAL to learn more about its financial condition.

Mr Wolf had reportedly made a tentative proposal to the UAL board on Monday for his group to buy only a majority of shares, leaving a minority publicly traded. But the board refused to consider it because it was lower than the original offer and lacked details or finance.

The board said that employee and shareholder interests would be best served by UAL continuing as an independent company. The board left open its financial options, but the market does not seem to expect any special dividends or share buybacks in the near future.

However, upset shareholders and arbitrageurs could try to force the board to take such actions to reduce their losses. Their most powerful weapon would be an attempt through the written consent process to replace the current directors with those more inclined to a deal.

Sharp rise in crude oil price aids Texaco

By James Buchan

TEXACO reported yesterday the strongest third-quarter results so far of the main US oil and gas companies with an 11 per cent gain in net income.

The increase lifted net income for the third quarter to $305m or $1.10 a share, and *showed Texaco better equipped* than its peers to handle the current weakness in profits from refining and marketing.

The company, based in White Plains, New York, has just finished scaling down its business. It profited from the sharp rise in crude oil prices in exploration and production. Flush with cash from asset sales, Texaco also cut its interest costs, and the re-organisation has helped reduce corporate overheads. Petrochemicals *also did well, although prices* here have now weakened.

The company, the world's third biggest oil and gas producer, said third-quarter sales dropped to $8.36bn from $8.61bn largely because of the businesses, such as the Canadian and West German subsidiaries, which have been sold.

At the nine-month stage, earnings were $2.32bn or $8.19 a share, more than twice those for the first three quarters of 1988. But the 1989 figure included a gain of $1.19bn or $4.87 a share on the Texaco Canada sale, while the 1988 period enjoyed an earnings boost of only $225m or 92 cents a share from the Deutsche Texaco sale.

Nine-month sales were down marginally, at $26.41bn, from $26.57bn.

Texaco's third-quarter improvement was due to higher crude oil prices, which allowed the company's exploration and production business to report operating profits of $185m against $68m in 1988.

● Atlantic Richfield posted net income of $379m or $2.19 in the third quarter, compared with $391m or $2.17 last year. Revenues totalled $3.7bn against $4.6bn.

The company said it had benefited from higher worldwide crude prices, increased natural gas volumes and higher coke prices.

This was offset by a reduced share in Lyondell Petrochemical and a drop in chemicals volumes and margins.

● Phillips Petroleum reported net income of $87m compared with $215m in the third quarter of last year, on revenue of $3.06bn, up from $2.85bn.

Farm machines boost Tenneco

By James Buchan in New York

TENNECO, the Houston-based conglomerate, yesterday reported a doubling of profits from its main businesses in the third quarter, thanks largely to strong gains in its farm machinery business.

The third-quarter result, though lower than Wall Street's best expectations, shows the strength of the turnround at Case IH, Tenneco's farm and construction equipment business. Tenneco managers last year bet the future of the company on Case when they sold the company's then largest business, oil and gas production operation, for $7bn.

Net income totalled $90m or 68 cents a share in the third quarter. The result dwarfed the previous year's third quarter net income of $7m or 2 cents a share, but this figure included losses from businesses Tenneco has since sold. From continuing operations, Tenneco earned $49m or 30 cents in the corresponding 1988 period.

The near doubling of third-quarter earnings, which occurred on a sales increase from $3.02bn to $3.21bn, brought earnings for the nine months to $379m or $2.88 a share against $224m or $1.39 a share. Sales advanced from $9.63bn to $10.18bn.

The key to the improvement was Case, which is profiting from new management and an upturn in the US farm economy. The Racine, Wisconsin, company saw its third-quarter income, excluding results from its finance subsidiary, swing from a loss of $43m to an operating profit of $28m. Profits after nine months were $149m against a loss of $101m in the first three quarters of 1988.

Tenneco's natural gas pipelines also did well, thanks to a sharp increase in throughput in its regulated interstate lines. Third-quarter operating profits were up 24 per cent at $56m.

But other businesses mainly marked time.

Salomon up as trading volumes rise

By Janet Bush in New York

SALOMON BROTHERS, the Wall Street securities house, yesterday reported sharply higher net income in the third quarter, which reflected increased volume in stock and bond markets and a 50 per cent jump in investment banking revenues.

Net income totalled $177m or $1.28 a share compared with $55m or 38 cents a share in last year's third quarter. In the first nine months of 1989, Salomon earned net income of $402m or $2.82 a share, compared with $318m or $2.07 a share for the same period last year.

Securities, Salomon's strongest business, contributed $261m to consolidated pre-tax earnings of $278m. This was more than triple the $86m earned in the comparable quarter in 1988.

Salomon said that this sharp improvement reflected the continuing recovery in revenues.

Salomon noted that the strong earnings performance in the third quarter had allowed 1.5m common shares to be repurchased under its 8m share buy-back scheme.

Higher tyre prices lift Goodyear 11%

By James Buchan

GOODYEAR, which recently lost its position as the world's top tyre maker to Michelin, has increased its third-quarter after-tax profits by 11 per cent after raising prices in its US tyre business.

The Akron, Ohio, company said yesterday that its net income in the latest quarter was $70.5m or $1.22 a share, up from last year's $63.5m or $1.11.

The result, wholly due to the US tyre business, brought net income at the nine-month stage to $492.1m or $3.33 a share. This was sharply down from the $333.7m or $5.13 of the first three quarters of 1988, but most of the decline was due to one-off losses this year on the sale of Goodyear's South African subsidiary and unused pipe from its US oil pipeline.

Sales of tyres continued to be stagnant, with a 1 per cent increase in the quarter to $2.68bn and a 2 per cent gain over nine months to $8.13bn.

Mr Tom Barrett, chairman, said changes in pricing and product mix in the US replacement tyre market helped push operating income in tyres up 30.5 per cent to $156.2m in the quarter. But US unit sales declined 1.9 per cent, apparently due to higher prices and reduced US car production.

Digital and IBM launch mainframe battle

By Louise Kehoe in San Francisco

TWO GIANTS of the computer industry, International Business Machines and Digital Equipment, both unveiled new computer models yesterday, signalling an intense marketing battle in the mainframe computer market.

Digital Equipment's new VAX 9000 is the company's most powerful computer to date. Its performance is comparable to that of IBM's widely used 3090 mainframe computers.

*However, Digital is under*cutting IBM's prices by as much as 50 per cent.

With the launch of the 9000, Digital is challenging IBM on "Big Blue's" home turf – the market for powerful mainframe computers. In a move apparently timed to counter Digital, IBM yesterday said that it has increased the power of its top-ranked 3090 computers by about 10 per cent.

IBM may be on the defensive, but it remains a powerful force in the mainframe market, with an estimated worldwide market share of more than 60 per cent. Digital is not expected to steal large numbers of IBM customers with its new computers: most IBM mainframe users have huge investments in software and training, which tie them to the number one computer seller.

By extending its computer product line into the mainframe class, however, Digital may be able to prevent its minicomputer users from looking to IBM for more powerful computers as their needs expand.

The new Digital machines are designed to be integrated into distributed computer networks, many of which already incorporate Digital's minicomputers. Digital's challenge to IBM reflects a broad technology trend throughout the computer industry.

IBM also faces new competition from companies such as Tandem, with its "fail-safe" computers, and newcomers such as Sequent Computer and Pyramid Computer that offer powerful parallel processing machines built from hundreds of microprocessors.

These new generation computers are cheaper than traditional mainframes, and their performance is improving fast.

Digital has spent six years developing its new VAX 9000. At the heart of the machines is a new processor based on a "high density signal carrier," a multi-chip package that packs up to 72 chips into a five-inch square unit.

By reducing the distance between chips, Digital has cut the time it takes for signals to travel from one circuit to another, boosting the performance of its processor.

IBM pioneered the use of multi-chip carriers, but its older technology requires water cooling, while Digital has designed an air cooling system.

The renewed competition comes at a difficult time for IBM. According to industry analysts, IBM's 3090 product line is nearing the end of its life.

However, yesterday's announcement from the company suggests that it may be able to extend the life of its traditional mainframe systems to fight its challengers. Analysts say IBM is developing new mainframe technology, but the company is not expected to launch a new generation of mainframes until next year.

Control Data climbs into black due to asset sales

By Karen Zagor

CONTROL DATA, the struggling US computer hardware and service group, yesterday reported net profits for the first time this year, thanks partly to gains from asset sales.

The Minneapolis-based company, which recently lost its chief financial officer and whose chief executive will soon step down, said third-quarter pre-tax earnings of $16.3m included an $8.5m gain from restructuring.

Net income for the three months was $9.8m or 23 cents a share against a loss of $2.4m or 6 cents the previous year. Revenues were down 9 per cent to $763m from $841.4m.

For the nine months, Control Data reported a net loss of $484m or $11.51 a share against a profit of $14.5m or 34 cents a year earlier. Revenues were $2.41bn against $2.7bn.

The company, which pulled out of the supercomputer business earlier this year and cut its computer products business, said every business group except its semiconductor unit was profitable before interest and taxes in the quarter.

The best performance was from the computer products group, which returned to profitability.

The company said its cash position had improved because of $250m in cash proceeds from the October 2 sale of Imprimis, its disc drive subsidiary.

INTERNATIONAL CAPITAL MARKETS

Japanese loans to Mexico 'dry up'

By Stefan Wagstyl in Tokyo

JAPANESE BANKS are unlikely to offer new loans to Mexico under the debt-relief scheme for Third World countries put together under the auspices of the Brady plan.

Like most of their US and European counterparts, Japanese banks are expected to choose instead to accept a 35 per cent cut in the value of the existing madium- and long-term loans or a reduction in the interest rates paid on these borrowings.

Banks were given a choice of these two options or of extending new money under an agreement between Mexico, the US, the International Monetary Fund and creditor banks holding $54bn in medium- and long-term debts. Mexico had hoped that up to 20 per cent of banks would be willing to provide new loans to meet its financing needs and to ensure that there would be sufficient official support for those banks taking debt relief options.

However, this now looks optimistic, according to bankers in Tokyo. The creditor banks must make final decisions by the end of this month to be eligible for an early participation fee.

Mr Satoshi Sunamura, a director of the Bank of Tokyo, said yesterday there was no incentive for banks to put up new money. As far as he knew, no Japanese bank intended to offer new loans.

Japanese banks, which are owed some $10bn by Mexico, are Mexico's second-largest group of commercial creditors after US banks. The Japanese Ministry of Finance is expected to ease tax rules to allow Japanese banks to write off against tax any losses they suffer on the value of loans written down under the Mexican debt plan. But it is not considering any measures to encourage banks to lend new money.

Bankers said yesterday they did not expect to be put under pressure by the finance ministry to lend new money. They said the ministry and the US Treasury had over the summer pressed banks hard to cut the value of existing loans and might therefore find it difficult to ask for more now.

MoF moves to aid small savers

By Michiyo Nakamoto in Tokyo

JAPAN'S MINISTRY of Finance is moving nearer to introducing interest rate liberalisation into the retail market with the launch next April of money market certificates (MMCs) with free-floating interest rates for as little as Y1m.

The move, which awaits approval of a special advisory committee to the Japanese central bank, will further benefit small-lot savers, who recently gained greater access to instruments that move in line with market rates when the minimum amount for MMCs was reduced in June from Y10m to Y3m.

The reduction in the minimum denomination for MMCs will also further intensify competition among Japanese financial institutions, specifically the post offices, city banks and trust banks, which have been fighting to attract customers since interest rates were first liberalised in 1985.

As happened in June, with the reduction to Y3m, many depositors to the smaller-denomination MMCs are likely to move their funds from fixed-rate time deposits based on an official discount rate considerably lower than market rates.

This time, however, the Ministry has agreed with the Ministry of Posts and Telecommunications and other financial institutions to set a floor on interest rates on MMCs that will be 0.15 per cent above the fixed rate. The Posts Ministry and the city banks had been pushing for such a floor in order to prevent interest rates from falling below fixed rates.

William Hill £350m loan launched

By Stephen Fidler, Euromarkets Correspondent

A £350m secured term loan from the William Hill Group has been launched into syndication by Lloyds Bank Capital Markets.

The loan will provide part of the financing for the £685m acquisition of the William Hill Organisation and Mecca Bookmakers from Grand Metropolitan and is being syndicated among about 80 banks.

The loan, provided by Hill Samuel, Lloyds Bank, Credit Suisse, Standard Chartered and Svenska Handelsbanken, will be senior to £285m of fixed-rate convertible loan stock to be provided by the Brent Walker Group, on which no interest will be paid without the consent of the banks.

The five-year loan, with an average life of 4.3 years, carries a 2¼ per cent margin above Libor, falling to 1¾ per cent when interest cover exceeds 2:1.

Swaps written by Lloyds will ensure the interest costs to the company are fixed.

● Credit Suisse First Boston is arranging a $150m, 364-day facility for Houston Industries, the US electrical utility which has moved into the cable television business. It carries a commitment fee of 15 basis points, a margin of 37½ basis points and a utilisation fee of 6¼ basis points when more than half is drawn.

AIBD loses another director

By Andrew Freeman

MR ERWIN FLUECKIGER, finance director of the Association of International Bond Dealers (AIBD), has resigned. Mr Flückiger said he would be taking up a position as general manager of a listed Swiss financial holding company from January 1.

He refused to comment on the reasons for his departure from the AIBD, saying he had agreed with the association that he would not elaborate while he was still in office.

The move is a further blow to the AIBD following the resignation to July of Mr Hans-Peter Frick, the secretary general and chief executive who left after just six weeks in office.

At its annual conference in Vienna last May the AIBD announced plans to strengthen its executive arm as part of a strategic development of its status as a designated investment exchange. Those plans are now in disarray and Mr Flückiger's imminent departure leaves the AIBD with an added vacuum on its executive board.

Headhunters were only recently appointed to find a successor to Mr Frick, who is also staying on until the end of this year. One AIBD official speculated that Mr Flückiger had decided to leave after Mr Frick announced his departure, but Mr Flückiger would not comment.

Australia streamlines listing rules

By Chris Sherwell in Sydney

AUSTRALIA'S stock exchange has streamlined its listing rules to encourage leading overseas-based companies to list in Australia as "exempt foreign companies."

The move aims to give those companies that qualify for exemptions a fast, convenient and inexpensive method of facilitating 24-hour trading in their securities.

The number of foreign companies listed on the Australian stock exchange has risen from 22 to 35 in five years. They include Cadbury Schweppes, P&O and Dalgety from the UK; Waste Management from the US; Placer Dome from Canada; and Fletcher Challenge and Brierley Investments from New Zealand.

According to a brochure produced by the exchange, the new rules are based primarily on a company meeting the requirements of its home exchange.

Initially companies listed on the New York Stock Exchange or London's International Stock Exchange will satisfy the criteria. But it adds: "Foreign-based corporations which are listed on other stock exchanges where standards are likely to be of similar quality are encouraged to enquire."

Other criteria will relate to size, spread of securities and undertakings to maintain an informed market and to allow for adequate registration and transfer records in Australia.

"Foreign-based corporations will also need to consider other matters relating to the ownership of shares by Australian residents, such as currency and taxation of dividend payments and registration as Australian assets in their hands," it says.

The initial fee for a listing will be A$25,000, with another A$5,000 payable each year.

Currencies table

IN the FT Guide to World Currencies table in Tuesday's Financial Times, the exchange rates for the Brazilian cruzado, Egyptian pound, Fijian dollar and Swiss franc should have been: 7.5205, 4.1310, 2.3997 and 2.5925 respectively against sterling; 4.7150, 2.5900, 1.5045 and 1.6254 against the US dollar; 2.5429, 1.3968, 0.8114 and 0.8766 against the D-Mark and 3.3130, 1.8198, 1.0571 and 1.1421 against the yen. The Guyanese dollar has been fixed against the US dollar and should have been reported as 33.0 instead of 29.8056.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 24

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Alberta 9⅞ 95	600	104¼	104⅝	+0⅛	+0⅝	8.41
Austria 9⅝ 93	140	102¼	103¼	+0⅛	+0⅛	8.54
B.F.C.E. 8⅝ 94	175	99⅝	100	+0⅛	+0¼	8.43
B.F.C.E. 9¼ 95	150	103⅛	103⅝	+0⅛	+0⅛	8.51
Brit. Tel. Fin. 9⅝ 98	250	104⅝	104⅞	+0⅛	+0¼	8.61
Canada 9 96	1000	103½	104⅛	+0¼	−0⅛	8.20
C.C.C.E 9¼ 93	300	103	103½	+0⅛	+0⅝	8.45
C.N.C.A 9⅞ 93	150	†102	102⅝	+0⅛	+0⅛	5.72
Credit National 8⅝ 93	200	†99⅞	99⅞	+0¼	+0⅛	8.35
Credit National 7⅞ 92	100	97½	98	+0⅛	+0¼	8.37
Credit National 9½ 92	160	†102	102½	+0⅛	[illegible]	8.64
Dai-Ichi Kan 9⅞ 92	150	102⅞	102¼	+0⅛	0	8.61
Denmark 8¼ 99	150	98⅛	98¼	+0⅝	+0⅝	8.63
Euro Credit Card Tst 9 99	325	101⅝	101¾	+0⅝	+0⅝	8.77
E.E.C. 7 91	100	97⅛	97⅞	+0⅝	+0⅛	8.26
E.E.C. 10 93	140	†104½	104⅞	+0⅛	+0¼	8.36
Eurofima 10¼ 93	100	†104⅝	105	+0¼	+0¼	8.43
Elec. De France 9 98	200	102⅛	103⅛	+0¼	+0⅝	8.49
Elec. De France 9½ 99	200	†105⅛	105½	+0¼	+0¼	8.63
Finland 9 96	250	102¼	102⅝	+0⅛	+0⅝	8.47
Finn.Exp.Cd. 8½ 92	200	99⅞	100⅝	+0⅝	0	8.40
Finn. Exp. Cd. 9⅛ 95	200	103⅛	103¼	+0⅛	+0⅝	8.58
Ford Motor Credit 8 91	250	†98¼	99⅛	0	−0⅛	8.62
Gen. Elec. Cap. Corp. 9 93	500	†101⅞	101⅞	+0⅝	0	8.50
Gen.Elec.Cap.Crp.10 1/2 91	300	102⅝	102¼	+0¼	0	8.46
G.M.A.C. 9 96	300	100⅞	101⅛	+0⅝	+0¼	8.76
Gen.Mtrs.Corp. 9⅛ 92	200	101¼	101¼	+0⅛	+0¼	8.45
IBM Credit Corp. 8⅞ 91	250	101	101⅛	+0¼	+0⅝	8.24
IBM Credit Corp. 9 92	250	102	102½	+0¼	+0⅛	8.02
IBM Credit Corp. 9½ 92	250	102	102½	+0⅛	0	8.35
IBM Credit Corp. 10 92	200	103¼	103⅝	+0⅝	−0⅛	8.31
Italy 9½ 95	1000	104⅞	104⅞	+0⅞	+0¼	8.49
Italy 9⅝ 99	1000	106	106¼	+0⅝	−0⅛	8.63
Itoh C. W/W 4⅝ 94	1000	100⅝	101⅝	−0⅛	+0⅝	4.35
Japan Dev. Bank 10 96	200	106⅝	107⅝	+0¼	−0½	8.54
KFW Intl. Fin. 9 94	300	101¼	102¼	+0⅛	0	8.48
L.T.C.B. of Japan 9¼ 92	200	101⅛	101⅝	+0⅝	0	8.66
Metropolis Tokyo 9½ 93	200	102⅛	103¼	+0⅝	0	8.42
Nippon Tel.&Tel. 9⅞ 98	250	104½	104⅞	+0⅝	+0⅝	8.61
Norway 8⅞ 93	500	101⅝	101½	+0¼	+0¼	8.28
Portugal 8¼ 91	300	†98½	99	+0⅝	0	9.16
Sumitomo Bank 9⅝ 92	150	†102½	103	+0⅛	0	8.52
Sumitomo Corp. W/W 4 93	1500	†110	111	−0⅝	+4	1.07
Sweden 8⅝ 96	200	101⅛	101¼	+0¼	0	8.42
Sweden 8¼ 92	200	†99¼	99⅞	+0⅝	−0¼	8.63
Toyota 9½ 91	200	101⅞	102⅛	+0⅛	0	8.35
Toyota Mtr.Corp. W/W 4 93	1500	105¼	106¼	−0⅝	+2	2.18
Victorian Rep 11⅛ 92	150	106	106½	+0¼	+0¼	8.70
World Bank 8⅞ 99	1500	100⅞	101⅛	+0½	+0¼	8.41
World Bank 9 97	300	102⅛	103	+0⅛	+0⅛	8.52
World Bank 9 93	300	102⅛	102½	+0¼	+0⅛	8.25
World Bank 9¼ 98	300	104¼	104⅝	+0⅛	+0¼	8.53
World Bank 9⅞ 99	500	106⅛	106⅞	+0⅝	+0¼	8.53
World Bank 9¾ 96	300	†105⅞	106⅛	+0⅝	+0⅝	8.50

Average price change... On day +0⅝ on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	93½	94⅛	+0⅛	−0⅛	7.47
Austria 6¼ 99	750	96⅛	96⅞	0	+0⅝	7.25
Bk.Frgn.Econ.USSR 7 96	750	†94½	95½	+0¼	+0⅝	8.01
Bank of Tokyo 5¾ 93	100	94¼	94¼	−0⅝	−0⅝	7.66
Commerzbank o/s. 5⅞ 93	300	93⅛	93⅞	−0⅛	0	7.68
Credit Foncier 6¾ 99	500	96½	96⅝	−0⅛	−0¼	8.29
E.I.B. 6¼ 99	600	93¼	93¼	−0¼	+0¼	7.25
E.I.B. 6½ 99	300	94⅝	95⅝	0	+0½	7.24
E.I.B. 6⅝ 96	600	96⅝	97¼	+0⅛	+0⅛	7.24
E.I.B. 6⅞ 93	300	98¼	98⅛	+0¼	+0⅝	7.19
Euro.Coal & Steel 5⅞ 97	175	91¼	92	0	−0⅝	7.39
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Canada 6⅛ 91	80	100¼	100½	0	−0⅝	5.79
Canada 5⅝ 93	80	99¼	100	0	−0⅝	5.65
Eurofima 5 1995	20	96⅛	96⅞	−0¼	−0⅝	5.75
E.I.B. 4⅞ 93	30	97¼	97½	0	−0⅝	5.75
Ireland 5⅛ 93	30	97⅞	98¼	0	−0¼	5.76
Norway 5⅛ 95	50	97⅞	98⅝	0	−0⅝	5.55
Sweden 4⅝ 93	50	96½	96⅝	0	−0¼	5.73
World Bank 5⅛ 98	10	96⅛	96⅞	−0⅛	−0⅝	5.65
World Bank 7 94	20	104¼	105¼	0	−0⅛	5.70

Average price change... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. 10⅛ 94 C$	150	98	98½	+0⅛	+0⅛	10.71
Abbey Nat. 11⅛ 95 £	100	96¼	97¼	+0¼	+0⅝	12.39
Aegon 7⅛ 92 FL	100	99¼	100⅞	0	+0⅝	7.90
Alg. Bk. Ned. 5⅞ 93 FL	200	93⅞	93⅞	0	0	7.99
Austria 7⅛ 94 ECU	100	94⅞	95	−0⅛	−1	9.01
Bk. Nova Scot. 14⅞ 90 A$	75	†95⅝	96⅞	0	+0⅝	18.42
Barclays Aus. 13½ 91 A$	100	95¼	95⅞	−0⅞	−0⅛	16.41
Belgium 8⅛ 99 Ecu	150	96⅞	97⅞	−0⅝	−0⅝	8.93
BP Capital 9¼ 93 £	100	91⅞	92⅝	+0⅛	+0⅛	12.64
British Airways 10 98 £	100	89⅛	89⅝	+0¼	0	12.06
Brit. Telecom 9⅛ 93 £	150	92⅝	92¾	+0⅛	+0⅛	12.34
Comm. Bk. Aust. 12¼ 93 A$	100	†91¼	92	−0⅝	−1½	15.72
Comm. Bk. Aus. 13⅛ 94 NZ$	60	104⅛	105⅛	+0⅝	+0¼	12.42
Credit Foncier 9 96 Ecu	100	99⅞	100⅞	−0⅝	−0⅝	8.96
Cr.Local France 9¼ 92 Ecu	100	100	100½	−0⅛	−0½	9.10
Deut. Bk. Aus. 13⅞ 93 A$	125	94½	95⅛	−0⅛	−0⅛	15.15
Deutsche Bk. Fin. 15 94 A$	100	100⅝	100⅝	−0¼	−0⅝	14.80
E.I.B. 7 96 LFr	100	95½	96½	−1	−0⅝	7.82
E.I.B. 7⅛ 99 FL	150	96⅝	96⅞	0	+0¼	7.62
E.I.B. 9 99 Ecu	150	100¼	100¼	0	−0⅝	8.90
Eurofima 7⅞ 94 Ecu	100	95⅛	95⅝	−0⅝	−0¼	8.96
Export Dv.Crp. 8⅝ 92 Ecu	100	99¼	99¼	−0⅛	0	8.94
Fed. Bus. Dv. Bk. 9 94 Ecu	100	99	99⅞	−0⅝	−0⅝	9.22
Fed. Bus. Dv. Bk. 9¼ 92 C$	75	†97⅞	98⅛	+0⅛	0	10.55
Fed. Bus. Dv. Bk. 10½ 93 C$	50	†99⅝	100¼	+0⅛	+0⅛	10.50
Ferr. Stato 7¼ 93 Ecu	100	95½	96	−0⅛	−0⅛	9.16
Ford Cr. Can. 10¼ 93 C$	100	†99⅞	100⅝	+0⅛	0	10.71
Ford Cred. Can. 10⅞ 96 C$	125	101½	101⅝	+0⅛	0	10.54
Ford Cred. Fund. 10⅞ 93 £	60	94½	94⅝	+0⅝	+0⅝	12.60
G.M.A.C. Canada 11 3/4 94 C$	100	103¼	103⅞	+0¼	+0⅛	10.68
Heineken 7⅝ 94 FL	150	100⅛	101	0	0	7.72
Hydro-Quebec 11 99 C$	400	103⅞	103⅝	+0⅛	+0⅝	10.37
Lloyds Bank 10⅛ 90 £	150	90¼	90⅛	+0⅝	+0⅝	12.09
Lloyds Bank 11⅛ 98 £	100	94⅞	95	+0⅛	−0⅝	12.37
Montreal Tst. 10⅞ 93 C$	100	†98⅝	99¼	0	−0⅝	11.05
Nat. Aus. Bk. 14⅞ 94 A$	100	97⅞	98	−0⅛	−0⅝	15.47
New Zealand 9½ 93 £	100	91⅛	91¼	+0⅛	+0⅛	12.59
O.E.K.B. 10¼ 99 C$	150	99⅝	100¼	+0⅛	+0⅝	10.23
Privatbanken 7½ 94 LFr	500	†97¼	98⅛	−0⅝	0	8.11
Royal Bk. Scot. 10⅝ 98 £	125	92½	93	+0¼	+0⅛	12.06
Saskatchewan 9⅞ 91 C$	150	†98⅝	98⅞	+0⅝	+0⅝	10.72
Saskatchewan 10¼ 95 C$	200	99⅛	99⅞	0	+0¼	10.40
State Bk. NSW. 13⅞ 93 A$	100	94⅝	94⅞	0	−0¼	15.71
Sweden 7½ 93 Ecu	250	95	93⅝	−0¼	−0⅝	8.90
Sweden 15 94 A$	200	100⅞	100⅞	0	−0½	14.76
Toyota Mtr. Cr. 11⅛ 92 C$	150	101½	102	+0⅛	+0¼	10.50
World Bank 7⅛ 99 FL	300	96⅝	96⅞	0	+0¼	7.42
World Bank 13⅞ 92 A$	100	97¼	97⅞	0	+0⅛	14.46
World Bank 14⅛ 94 A$	75	98¼	98⅝	−0⅛	−0⅝	14.66
Zentrspk. 13⅛ 93 A$	75	†94⅝	95¼	0	−0⅝	15.00

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.94	99.99	24/01	15.21
Bank of Greece 99 US	0⅛	99.73	99.84	8/03	9⅛
Belgium 91 US	0	100.20	100.30	21/02	8.81
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

US Treasuries boosted by plunging equities

By **Janet Bush** in New York and **Rachel Johnson** in London

ANOTHER plunge on the stock market which triggered a flight to quality and further evidence of economic weakness yesterday gave a strong boost to Treasury bonds.

GOVERNMENT BONDS

Despite a subsequent rally in the equity market, Treasuries still closed near to its best levels of the day, as much as ⅝ point higher. In late trading, the benchmark long bond was quoted ¾ point higher as the Dow plunged by 85 points at one stage.

By late trading, the Dow was quoted only marginally lower but the long bond was still quoted around ½ point higher for a yield of 7.89 per cent.

Bonds were initially given a lift by the release of US durable goods orders for September. Although orders overall declined by only 0.1 per cent against forecasts for a fall of nearer 1 per cent, once a huge jump in defence orders was stripped out, orders fell 3.9 per cent in September.

Although some components of the release, notably orders for electrical machinery and primary metals, showed strength, analysts felt the figures pointed to further weakness in manufacturing.

However, by far the most important influence on the bond market yesterday was the plunge in stock prices. For the first time since October 13, there was a perceptible flight to quality.

The open market operations of the US Federal Reserve reflected the increased nerves on markets. Half-way through last week, the Fed stopped adding liquidity to the system, aimed at calming nerves, and resumed normal operations through multi-day matched sales draining moves. Yesterday, the Fed was also believed to have a draining job to do but refrained from doing matched sales in order to signal its helpful presence to markets.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-30	+6/32	11.44	11.46	11.15
		8.750	1/96	96-24	+15/32	10.53	10.56	10.39
		9.000	10/08	94-28	+14/32	9.59	9.58	9.46
US TREASURY *		8.000	8/99	100-25	+6/32	7.98	7.95	8.23
		8.125	8/19	102-22	+29/32	7.89	7.94	8.20
JAPAN	No 111	4.600	6/98	95.6189	+0.255	5.34	5.25	5.28
	No 2	5.700	3/07	104.4735	+0.285	5.21	5.18	5.12
GERMANY		6.750	6/99	98.0000	-0.100	7.04	6.99	6.89
FRANCE	BTAN	8.000	7/94	95.2455	-0.016	9.27	9.22	8.90
	OAT	8.125	6/99	95.7000	+0.190	8.79	8.78	8.60
CANADA *		9.500	10/98	100.3500	+0.050	9.44	9.48	9.85
NETHERLANDS		7.250	7/99	98.6900	-0.020	7.44	7.48	7.22
AUSTRALIA		12.000	7/99	90.2234	-0.047	13.85	13.63	13.48

London closing, *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Today, the bond market will be focused on the auction of $4.5bn in Refco bonds, the first tranche of government financing of the bail-out of the thrift industry. When-issued trading suggested that demand was minimal. Nevertheless, if the flight to quality seen yesterday continues today, some demand may be attracted.

■ WITH THE Dow falling over 80 points yesterday afternoon, investors in the government bond markets in Germany and the UK ran for the security of government stocks.

The move into government-backed debt, however, was less emphatic than before. The US equity market rallied and the market in the UK had to digest the news of the trade figures.

German government bonds came up ½ a point as the Dow reached its low (compared to 1.5 last time round).

Trading was futures led. The December futures contract had a low of 92.98, a high of 93.49 and closed at 93.26, holding on to some of the day's gains. Volumes were not impressive in contrast to recent numbers, with about 28,000 contracts traded.

In the cash market, the 7 per cent September 1999 bund was fixed 10 pfennigs down at 99.90 but moved up ¼ of a point to close at the level of futures.

■ IN THE UK, the trade figures arrived in line with market expectations, but gilts still came down ¼ point. The news from the US, however, left the market just over ½ a point higher. Most of the volatility, as in Germany, was at the long end.

The December long gilt went up to 93.28 before settling at 93.07.

Refco auctions first bonds to finance thrift bail-out

By **Janet Bush** in New York

THE RESOLUTION Trust Corporation (Refco), the agency formed by Congress to supervise the bail-out of the thrift industry, today auctions the first tranche of bonds that will be used to finance the rescue.

Today's auction is of $4.5bn in 30-year Refco bonds. The programme of Refco bond issues is something of a moveable feast, but the indication was, when Congress passed the thrift bail-out bill in August, that around $160bn would be auctioned over the next three years.

Today's auction will be a big test of how much acceptance these bonds have found in the international investment community. The Treasury conducted roadshows in Tokyo and London last week in an effort to educate investors about the bonds, but when-issued trading suggests that there has been minimal interest so far.

Ms Kathleen Camilli, money market economist at Drexel Burnham Lambert, noted that only around $1.5bn of the $4.5bn issue had traded in the when-issued market, suggesting that demand will be low. She said that Japanese institutions, for example, had shown little interest.

The Refco bonds are strippable, so that principal and interest can be traded separately. The principal is guaranteed by US government zero coupon bonds. These are non-marketable securities which the Treasury will issue to Refco.

The idea is that, at the end of 30 years or the relevant maturity, the Government can pay back the principal to investors using zero coupon bonds. The technical term for this process is "defeasing the principal."

Ms Camilli said that Refco might not stick with a 30-year maturity on all its issues but might offer shorter maturities, perhaps at regular quarterly auctions.

There was a small flight to quality into the Treasury bond market yesterday morning as the equity market once again fell sharply. Because the principal on the Refco bonds is guaranteed by zeros, they should be regarded by investors as high-quality issues and any flight to quality may help boost demand today.

Sterling and dollar Eurobonds hit by economic data

By **Andrew Freeman**

EUROBOND MARKETS made little headway yesterday, with only a handful of Japanese equity warrant deals emerging to encourage depressed syndicate officials. UK economic news put the lid on sterling deals, while the dollar sector was bracing itself for more US figures later this week.

INTERNATIONAL BONDS

Switzerland had its busiest day for some time, with several deals launched into a background of improving sentiment held back by rising short-term interest rates. Support for Japanese equity-linked deals remained strong, despite the recent comments from the Swiss National Bank warning investors not to over-stretch their exposure.

Union Bank of Switzerland was the lead manager of a SFr150m convertible deal for Fokker, the Dutch aircraft manufacturer. The eight-year bonds carry a fixed 4 per cent coupon and are callable after three years. The conversion premium was set at around 14.1 per cent. The borrower also launched a Fl 150m domestic issue.

The issue fell back from its opening level of around its par launch price, trading at less ¾ bid by the close of dealing, according to UBS. Other traders marked the bond down to less 1½, blaming the decline on choppy performance by Wall Street.

UBS also brought a SFr120m convertible issue for Miyoshi Oil & Fat. The bonds offered a fixed coupon of ¼ per cent and were trading at 100¾ bid late in the day, against a par issue price. The lead manager said there was good in-house demand.

Late in the day, Swiss Bank Corporation brought a straight issue for Crédit Local. The bonds offered a 6 per cent coupon and were priced at 100½. SBC was quoting the paper at less 1½ bid, but there was widespread comment from rival banks that the issue terms were extremely tight. Proceeds were swapped into floating-rate French francs.

Yamaichi's SFr50m convertible for Sapporo Lion, a restaurant group, traded at a 3½ point premium to its par launch price.

Banque Paribas Suisse issued a SFr20m convertible for Yokohama Maruuo to a fine reception, the bonds trading at a 5¾ point premium to their par issue price.

In Germany, prices picked up by as much as 45 pfennigs in reaction to the US economic figures, before easing slightly at the close.

Commerzbank brought a DM80m deal with equity warrants for Nippon Signal, one of Japan's two leading manufacturers of railway and road signals. The bonds traded at a 1 point premium to the par issue price.

On the wider Euromarket, the Japanese equity warrant sector had a busy day, with several new issues enjoying strong receptions. Yamaichi brought a $700m five-year deal for Hanwa, while Yamatane Securities launched a parallel $100m Asian tranche.

Nikko's $100m four-year deal for Japan Storage Battery traded at 104¾ bid, while Nomura's $100m issue for Sanraku reached as high as 105 bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Hanwa Co.♦	700	(4⅜)	100	1994	2¼/1½	Yamaichi Int. (Europe)
Hanwa Co.♦(g)	100	(4⅜)	100	1994	2¼/1½	Yamatane Secs. (Europe)
Japan Storage Battery♦	100	(3⅞)	100	1993	2¼/1½	Nikko Secs. (Europe)
Sanraku Inc.♦	100	(3⅞)	100	1993	2¼/1½	Nomura Int.
SWISS FRANCS						
Fokker(a)§◆	150	4	100	1997	n/a	UBS
Miyoshi Oil & Fat(b)★★§	120	¼	100	1993	n/a	UBS
Credit Local de France(c)★★◆	100	6	100½	1996	n/a	SBC
Sapporo Lion(d)★★§	50	(1¼)	100	1994	1⅝	Yamaichi Bank (Switz)
Yokohama Maruuo(e)★★§	20	½	100	1994	1½	Banque Paribas (Suisse)
D-MARKS						
Nippon Signal Co.♦	80	(1½)	100	1994	2¼/1⅜	Commerzbank
YEN						
Christiania Bank★★(f)◆	28bn	6¾	101⅞	1994	1⅞	Morgan Stanley Int.

★★Private placement. ♦With equity warrants. §Convertible. ◆Final terms. a) Conversion price Fl61. Exchange rate SFr0.7765 per Fl. Call from Nov. 1992 at 102 declining ½% p.a. b) Coupon fixed at ¼%. Fixed yield to put 3.426%. c) Non-callable. d) Indicated yield to put 3.837%. e) Coupon fixed. Fixed yield to put 3.473%. f) Coupon payable in A$. g) Launched in Asia.

Gilt prices rise over tax reduction

By **Rachel Johnson**

THE REDUCTION in the net tax rate of Lloyds syndicates due in 1990 has begun to have a selective impact on prices in the UK gilt-edged market — which rose again yesterday as a result of the plunge in the Dow Jones index yesterday.

The lower rate will not affect a wide range of stocks because of the unusual tax regime and accounting periods faced by the syndicates.

Lloyds syndicates have accounts open for three years and are paying tax at varying rates according to the rates prevailing in the last three years.

In 1990, their net tax rate will drop as the books for 1987 are closed.

The tax-free status of capital gains on gilts has resulted in a preference for capital gains over income, which will change at the end of the year when marginal rates will fall to 40 per cent, according to Greenwell Montagu analysts.

The selective impact on gilts, predicted by Mr Michael Saunders and Mr Paul Straker, will be to alter the value of lower-coupon stocks.

UK futures firms may sue US agency

By **Katharine Campbell**

THE ROW over American jurisdictional interference in London's derivatives markets took a new twist earlier this week with the formation of a lobby group whose membership is prepared to tangle with the relevant government agency in a US court of law.

Just as the Commodity Futures Trading Commission (CFTC), the American federal futures regulator, was audibly breathing a sigh of relief that months of transatlantic wrangling with the British authorities were drawing to an end, a new combatant entered the fray. Meet the London Markets CFTC Action Group.

Although many UK firms have applied for exemption under the controversial "part 30" rules governing UK firms dealing on behalf of US clients, meetings in the last week have mobilised sufficient discontent at the nature of the terms to inspire the new movement.

The move comes days after the Association of Futures Brokers & Dealers (AFBD) was claiming credit for modifying CFTC demands for full segregation of customer funds — the most contentious point of the exemption order. London Metal Exchange members agreed, on Monday, to work with the latest CFTC proposal.

Now the new group will approach CFTC chairman Ms Wendy Gramm with an alternative initiative to the part 30 exemption negotiated in May, which it regards as unacceptable, according to a source present at both meetings. "It is probable that litigation will be started," the source added.

The Commodity Traders Group (CTG), which has lobbied stridently on behalf of London Metal Exchange members, has obtained legal opinion that the CFTC was acting beyond its authority in forcing overseas markets to change the way they do business. The new forum seeks a broader following than the CTG.

While the Department of Trade and Industry has already raised broad jurisdictional concerns with the CFTC, it cannot pursue the matter legally.

A British regulator involved in recent negotiations cautioned that escalating the disagreement on to a legal plane might cause the CFTC to withdraw the relief it had granted.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Tue Oct 24 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Oct 23 Index No.	Fri Oct 20 Index No.	Thu Oct 19 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	862.96	-2.1	12.85	4.91	9.53	27.82	881.87	879.35	871.44	821.25
2	Building Materials (29)	1028.41	-1.7	15.54	5.44	8.15	35.78	1858.56	1037.06	1051.57	1040.31
3	Contracting, Construction (37)	1374.37	-2.0	17.74	5.60	7.35	51.75	1402.69	1404.87	1399.56	1612.89
4	Electricals (10)	2472.35	-2.7	11.16	5.02	11.26	68.90	2539.91	2522.86	2553.41	2345.86
5	Electronics (30)	1872.86	-4.8	9.83	3.92	13.11	49.22	1951.62	1947.07	1938.53	1771.84
6	Mechanical Engineering (54)	467.79	-1.7	11.96	4.81	10.17	14.38	475.87	474.53	476.40	438.87
8	Metals and Metal Forming (6)	447.79	-1.1	22.96	6.69	4.80	15.15	452.81	432.34	453.54	491.71
9	Motors (18)	352.37	-0.8	11.27	4.92	10.41	9.97	355.35	351.54	349.96	288.45
10	Other Industrial Materials (24)	1614.81	-1.8	10.25	4.64	11.53	51.93	1643.04	1638.75	1648.85	1566.46
21	CONSUMER GROUP (184)	1221.42	-1.5	9.81	3.61	13.95	26.91	1240.02	1232.55	1248.75	1092.49
22	Brewers and Distillers (23)	1389.29	-1.9	9.41	3.59	13.29	28.11	1415.59	1413.26	1422.47	1159.37
25	Food Manufacturing (20)	1087.38	-1.6	9.48	3.95	13.43	25.28	1105.32	1099.23	1104.13	984.71
26	Food Retailing (14)	2327.81	-1.4	11.86	3.81	14.71	42.08	2360.87	2335.58	2357.63	1914.82
27	Health and Household (14)	2345.80	-1.6	6.66	2.04	17.88	39.12	2383.41	2371.89	2395.00	1929.36
29	Leisure (34)	1534.09	-2.0	8.49	3.73	14.52	37.26	1564.74	1564.58	1588.08	1397.79
31	Packaging & Paper (15)	526.96	-1.2	11.36	4.96	10.98	16.17	533.55	533.53	535.59	458.58
32	Publishing & Printing (18)	3451.96	-0.9	9.23	4.95	13.91	105.93	3483.34	3478.72	3477.09	3478.18
34	Stores (32)	763.03	-1.6	11.22	4.81	11.63	18.59	775.61	778.57	774.08	769.80
35	Textiles (14)	512.83	-0.3	11.15	5.73	10.88	15.74	514.34	507.52	507.97	534.62
40	OTHER GROUPS (93)	1182.89	-1.7	10.65	4.48	11.58	27.47	1120.98	1116.98	1120.74	1025.12
41	Agencies (17)	1466.48	-1.8	7.18	2.46	17.16	25.40	1493.39	1506.16	1482.36	1076.71
42	Chemicals (22)	1196.56	-1.1	12.54	5.23	9.39	43.80	1209.31	1205.61	1206.29	1075.77
43	Conglomerates (13)	1576.34	-2.0	10.84	5.44	10.86	56.04	1608.75	1598.45	1603.39	1372.38
45	Transport (13)	2113.75	-1.6	10.57	4.43	12.10	56.50	2147.12	2161.06	2168.38	1947.87
47	Telephone Networks (2)	1077.78	-1.9	11.25	4.58	11.59	22.38	1098.48	1094.98	1096.73	981.21
48	Miscellaneous (26)	1606.21	-1.7	9.63	4.55	11.72	44.74	1637.75	1635.37	1654.28	1366.08
49	INDUSTRIAL GROUP (485)	1198.82	-1.7	10.45	4.44	11.68	29.34	1218.62	1213.95	1225.65	1076.16
51	Oil & Gas (15)	2118.64	-2.4	10.22	5.39	12.95	67.98	2166.72	2166.56	2157.18	1731.81
59	500 SHARE INDEX (500)	1293.91	-1.8	10.42	4.39	11.94	32.80	1215.62	1218.42	1214.39	1053.59
61	FINANCIAL GROUP (121)	738.95	-1.5	–	5.05	–	20.44	758.33	758.55	764.09	736.92
62	Banks (9)	726.62	-2.4	23.74	6.88	5.54	35.17	744.46	744.26	744.65	677.13
65	Insurance (Life) (8)	1234.54	-0.1	–	5.14	–	47.56	1232.05	1222.55	1209.33	996.47
66	Insurance (Composite) (7)	635.85	-1.3	–	5.95	–	28.34	644.28	637.81	639.26	533.56
67	Insurance (Brokers) (7)	1036.99	+0.7	7.27	6.86	18.31	45.26	1029.51	1014.38	1012.09	971.45
68	Merchant Banks (11)	384.63	-1.3	–	4.96	–	13.24	389.79	392.06	391.59	348.37
69	Property (49)	1154.80	-0.9	7.78	3.54	16.30	21.42	1165.48	1162.97	1178.09	1238.54
70	Other Financial (30)	323.67	-0.9	12.29	6.82	10.60	13.25	326.88	326.86	323.67	373.59
71	Investment Trusts (68)	1172.66	-0.6	–	2.96	–	20.26	1179.61	1175.39	1171.92	935.88
81	Mining Finance (1)	645.41	-2.7	11.58	4.17	9.71	22.25	663.37	668.80	664.65	558.06
91	Overseas Traders (8)	1312.29	+0.7	10.45	6.10	10.98	48.84	1303.19	1282.21	1283.82	1327.06
99	ALL-SHARE INDEX (698)	1084.81	-1.7	–	4.55	–	31.38	1102.34	1097.64	1100.15	962.29

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 23	Oct 20	Oct 19	Oct 18	Oct 17	Year ago
FT-SE 100 SHARE INDEX‡	2149.3	-48.4	2197.0	2147.0	2189.7	2179.1	2189.3	2170.1	2135.5	1847.8

FIXED INTEREST

	PRICE INDICES	Tue Oct 24	Day's change %	Mon Oct 23	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.98	+0.20	116.74	–	10.00
2	5-15 years	130.70	+0.46	130.10	–	11.60
3	Over 15 years	140.90	+0.46	140.25	–	12.00
4	Irredeemables	162.45	-0.20	162.78	–	8.83
5	All stocks	128.84	+0.37	128.37	–	11.24
	Index-Linked					
6	Up to 5 years	138.39	+0.74	137.37	–	2.79
7	Over 5 years	136.69	+0.55	135.95	–	3.21
8	All stocks	136.70	+0.56	135.94	–	3.15
9	Debentures & Loans	108.97	+0.12	108.84	–	9.10
10	Preference	87.38	+0.03	87.35	–	5.05

	AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 24	Mon Oct 23	Year ago (approx.)
	British Government				
1	Low	5 years●	0.00	0.00	9.66
2	Coupons	15 years●	0.00	0.00	9.24
3		25 years●	0.00	0.00	8.94
4	Medium	5 years	10.90	11.00	10.05
5	Coupons	15 years	9.92	9.98	9.47
6		25 years	9.58	9.60	9.17
7	High	5 years	11.03	11.11	10.17
8	Coupons	15 years	10.14	10.20	9.60
9		25 years	9.74	9.77	9.23
10	Irredeemables	†	9.58	9.55	8.90
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.76	3.99	2.80
12	Inflation rate 5%	Over 5 yrs.	3.68	3.72	3.64
13	Inflation rate 10%	5yrs.	2.89	3.12	1.64
14	Inflation rate 10%	Over 5 yrs.	3.50	3.54	3.47
15	Debs &	5 years	13.56	13.58	11.75
16	Loans	15 years	12.17	12.20	11.01
17		25 years	11.66	11.68	10.68
18	Preference	†	10.57	10.57	9.97

‡Opening index 2187.9; 10 am 2194.1; 11 am 2196.6; Noon 2188.7; 1 pm 2183.7; 2 pm 2183.7; 3 pm 2172.8; 3.30 pm 2154.0; 4 pm 2158.8 (a) 11.09am (b) 3.39pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. ●Technical problems in calculation of low coupon gilt yields make it impossible to publish results at present. FTA ALL SHARE INDEX: Share capital changes for the constituents can be found daily on Topic page no 10243.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	92	6	5
Corporations, Dominion and Foreign Bonds	8	1	33
Industrials	186	792	618
Financial and Properties	80	316	280
Oils	11	56	28
Plantations	0	1	10
Mines	14	69	88
Others	22	139	91
Totals	413	1,380	1,153

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Oct 23
● Last Dealings Nov 3
● Last Declarations Jan 25
● For settlement Feb 5
For rate indications see end of London Share Service

Calls in Richmond Oil & Gas, Conrad Hidge, Stanco, Helmsa Protect, Astra, Polly Peck, McCleod Russell, Foseco, THF, Burmah, Asda.

LONDON TRADED OPTIONS

THE LONDON Traded Options Market followed the stock market's lead yesterday, transacting only modest amounts of business despite the sharp early fall on Wall Street and the release of the latest UK trade figures. The institutions were again on the sidelines and trading were small. Among the stock options, activity was confined to position squaring due to the expiry today of October contracts.

The LTOM turned over 35,177 contracts yesterday, up more than 50 per cent from Monday, but still below the levels recorded during the hectic period last week. The turnover was divided between 15,657 calls and 19,620 puts. The most widely traded contract was the FT-SE index, which turned over 13,477 contracts. This was divided between 4,750 calls and 8,727 puts.

Trading began quietly as dealers waited for the September UK trade figures. The index moved gradually higher before the data's release, on talk that the deficit would show a marked improvement. In the event, the £1.8bn current account deficit was exactly in line with economists' predictions and compared with a £2bn deficit in August. The news prompted the stock market to reverse its early gains and by midday it was down slightly on the day.

The trade data sparked off some small-scale FT-SE options activity, but dealers and investors were reluctant to commit themselves to the market too heavily before Wall Street opened. The market's caution paid off. Soon after opening, Wall Street fell sharply and at one stage the Dow Jones index was down more than 80 points. In London, share prices were marked down and turnover was subdued. The FT-SE index fell to a low of 2,147, a loss of 42 points on the day, before closing at 2,149.

The options market also remained modestly traded, with dealers uncertain where the stock market would come to rest. The futures market gave conflicting signals, moving from a discount to a small premium at the close.

Total options market open interest rose by 1,057 contracts on Monday to 928,715, as investors began to roll over their expiring October positions.

[illegible]

UK COMPANY NEWS

Wolseley exceeds City estimates with £120m

By Jane Fuller

WOLSELEY, the world's largest plumbers' and heating merchant, produced a 23 per cent increase, from £97.6m to £120.2m, in pre-tax profits, for the year to July 31, beating market expectations by as much as £7m.

Turnover grew by 28 per cent from £1.28bn to £1.64bn.

Mr Jeremy Lancaster, chairman and managing director, said the star performers were Plumb Center, which has 218 UK branches, and the two Familian companies on the US West Coast, which were contributing full-year results for the first time.

Plumb Center and Familian led the results of the UK and US building distribution divisions, each of which contributed 37 per cent to trading profit compared with 41 per cent and 31 per cent respectively last time.

In the UK, the large investment made in new branches in previous years had paid off in a year of consolidation, said Mr Lancaster. The company has a total of 351 branches, including the heavy-side Builder Center and the Plant & Tools hire business.

On future prospects, Mr John Footman, chief executive of building distribution UK, said: "At Plumb Center, before interest rates went up another 1 per cent [on October 5], we believed that sales might hold their own. Now we don't know."

Mr Lancaster commented that "15 per cent interest rates are not helpful to anyone running a business of any description." However, Wolseley would hold its own better than others.

To illustrate the company's ability to adapt, he said: "In 1974 we closed 14 out of 64 branches. As a result we continued to make a healthy profit. We don't think current circumstances are anything like 1974."

Factors which made the company "fleet of foot" included not carrying "an ounce more stock than we need." Mr Footman explained thet microcomputers installed at the branches had enhanced the information available to control inventory and improve the feed of products.

More than £870m of Wolseley's turnover lay in the US.

Mr Lancaster said Familian Northwest, which had produced an annualised profits increase of 40 per cent, was benefiting from a business boom, particularly in the Seattle area, which was pulling in population. In California, the strength of demand was illustrated by the continuing lack of housing stock.

On the eastern side, Ferguson – which extends as far south as Texas – had been operating in a more difficult market. It had been a good year for Carolina Builders, which would gain from the rebuilding effort following Hurricane Hugo.

The remaining 26 per cent of trading profit came from UK manufacturing, which includes agricultural machinery and spares, and engineering subsidiaries. The electrical side, which is related to house building, had experienced some difficulty.

Earnings per share rose 20 per cent to 36.9p (30.7p) and a recommended final dividend of 8.2p will make a total of 11p (9p). Gearing was stable at just below 25 per cent.

See Lex

Diamond loses its sparkle

By Jane Fuller

DIAMOND GROUP Holdings, which provides car breakdown insurance, said yesterday that it had suffered a substantial trading loss at its Yorkshire operation.

The Glasgow-based group, which joined the USM in May, said the loss had arisen from problems in administration and handling claims at Mechanical Breakdown Insurance, based at Ilkley.

Diamond said an investigation was being carried out with the help of Arthur Andersen, its auditors.

The announcement of results for the first half of 1989, which were due out on Monday, has been delayed. The shares were suspended yesterday at 65p, compared with the placing price of 85p.

In 1988 Diamond made a pre-tax profit of £1.23m on turnover of £5.1m. This followed two years in the red, related to the 1987 acquisition of loss-making mechanical breakdown insurance activities, which were merger accounted.

Its main business is to sell breakdown insurance through garages to car buyers. Last year it sold nearly 92,000 policies.

In July it agreed to buy Hexagon 102, renamed Motorplan, which operates a similar business and is based in Essex. The purchase involved an initial payment of just over £1m, with further instalments, dependent on profits, due to take the total to about £2¼m.

The group had previously diversified into general insurance broking, life assurance and pensions, and design and artwork.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:- Atlantic Resources, Chevron, Elliott (B), English National Inv, Globe Inv, Jacob (W&R), Mezzanine, Monarch Resources, Plasticesl, Shiloh, Sotheby's, Upton & Southern, Usher Walker, Walker Greenbank.

Finals:- Alva Inv, Barbican, Garrett (Henry).

FUTURE DATES

Interims-	
Office & Elec Machines	Oct. 31
Regalian Properties	Nov. 15
Webster	Nov. 10
Yorkdyke	Nov. 9
Young & Co's Brewery	Nov. 21
Finals-	
AC Holdings	Oct. 27
Ashley	Nov. 1
Bridport	Nov. 1
GR Holdings	Nov. 2
Intl City Holdings	Oct. 31
Low (Wm)	Nov. 2
MMI Computing	Nov. 2

Overseas Inv Trust, Regina Health & Beauty.

Investment paying off as St Ives rises 25%

By Ray Bashford

ST IVES Group increased its pre-tax profits by 25 per cent in the year to July 31 despite tighter conditions in the core magazine publishing business.

The outcome of £28.7m (£23.04m) was achieved on turnover some 9 per cent ahead to £181.6m (£167.3m).

Mr Robert Gavron, chairman, said firm control over costs and benefits from the capital investment in a new generation of printing equipment explained the profits growth.

The investment in equipment had also left the company relatively insulated from the impact of the more difficult climate in the magazine printing business, he added.

As advertising had contracted in magazines the company attempted to also concentrate on winning contracts in the quality end of the market, for publications which had a more assured future and where margins were potentially higher.

Capital expenditure during the year totalled £34.7m with most devoted to the purchase of new printing equipment for installation at two of the company's plants.

The result also reflected a substantial improvement from Burrups, acquired in October 1987 and found to be in need of heavy rationalisation.

Burrups, which handled the financial printing operations, had won the contract for the production of a large part of the printed publicity and information associated with water privatisation.

Contracts with Euro Disney for the production of its recent public issue material, and BAT Industries during its bid defence against Hoylake, also contributed to Burrups improved performance.

Earnings per share on a fully diluted basis rose by 21 per cent to 17.6p (14.6p). The total dividend is increased by 43 per cent to 4.25p (3p), the proposed final being 3p.

St Ives closed the year with cash of £16.5m after financing three small acquisitions and capital expenditure through cash flow.

● COMMENT

Mr Gavron almost speaks with glee about a recession in the magazine and book printing business. He is confident that the capital investment the company has made in new equipment can carry it safely through any further tightening in the business, and in fact help deliver it contracts at present held by competitors less well prepared. Capital expenditure in the current year is expected to be over £30m as St Ives attempts to secure its competitive advantage while the squeeze on margins remains throughout the industry. The sharp dividend improvement is further evidence of the confidence while others are pausing for breath after the recent battering. The £23m purchase of AD Weiss, a financially strapped Florida magazine printer, since the balance sheet date is expected to give the company quick returns from a rapidly growing market. The cyclical nature of the business has made potential investors weary of St Ives; however, the shares on a prospective p/e of 10 if pre-tax profits reach £33m, deserve a second look.

Fall in consumer demand hits Pressac

By Richard Tomkins, Midlands Correspondent

PRESSAC, the Nottingham-based manufacturer of electrical connectors and components, yesterday outlined plans for a re-shaping of the business to counter a severe downturn in profits caused by the collapse in demand for consumer electronics.

The pre-tax figure for the year to end-July fell from £3.34m to £2.25m on turnover down from £33.7m to £32.9m.

Earnings per share slumped from 12.2p to 8p, but optimism over the future is reflected in a proposed final dividend of 1.5p, making 2p (1.75p).

Mr Geoff White, recently promoted from finance director to chief executive, said more than 50 per cent of Pressac's components found their way onto the high street, and the impact of rising interest rates had been inevitable.

The main factor behind the fall in profits was a 30 per cent fall in sales in the domestic electronics division, which supplies wiring harnesses and connectors for television sets, microwave ovens and washing machines.

The telecommunications division also saw a fall in retail demand for its plugs and connectors, while the sector generally suffered from continuing oversupply following the liberalisation of the telecommunications industry in 1986.

In contrast, the automotive division, supplying printed circuits for car instrumentation systems, saw rising demand in Europe and an increase in market share in the US, where it is winning new business from General Motors.

Mr White said a new business plan would see the group reducing its dependence on consumer markets by building up the automotive side and diversifying into different markets through a combination of product innovation and acquisitions.

Pressac has also changed its management structure, giving each subsidiary its own board of directors and leaving the holding company to set financial targets and concentrate on overall strategy.

● COMMENT

Pressac joined a growing band of Midlands companies – Birmingham Mint a while ago, for example, McKechnie on Monday, and Frederick Cooper yesterday – whose performance suggests that a hard landing for the economy is more than hypothetical. Like others, Pressac has avoided hitting the headlines with big redundancies, but has quietly shed no fewer than 500 of its 1,800 employees over the last 11 months through natural wastage. The prospects for the automotive division, the strength of the balance sheet, and the boldness of the diversification plans all give rise to optimism that Pressac can pull itself out of its difficulties, but the immediate outlook is at best a modest increase in profits if gains on the automotive side outweigh a further slide in consumer electronics. This could be a recovery story for 1991, but the market is not in the mood for waiting: the shares shed another 7p to 88p.

F Cooper up 30% but warns on earnings

FREDERICK COOPER, the Midlands-based mini-conglomerate in which Newman Tonks has a 4.9 per cent stake, yesterday accompanied the announcement of a 30 per cent increase in pre-tax profits, from £6.7m to £8.72m, with a warning that earnings were likely to stand still in the current year, writes Richard Tomkins.

Mr Eddie Kirk, chairman, said 35 per cent of sales were consumer orientated and would inevitably be affected by economic conditions in the UK.

"With interest rates at 15 per cent and no signs of any reduction, soms of our markets are going to be tough," be said.

"It's difficult to see any growth in earnings in the current climate – though even unchanged earnings will be a better performance than some of our competitors can look forward to."

In the year to July 31, turnover rose from £54.9m to £64.8m. Earnings per share, fully diluted, were higher at 18.1p, against 15.4p and a recommended final dividend of 2.5p makes the total 3.85p (3.25p).

The rise in profits came from a combination of 15 per cent organic growth and full-year contributions from two acquisitions made in June 1988 – Gibbons, the Willenhall lockmaker, and Lorlin, the electronic components company.

In security and architectural hardware, a £500,000 contribution from Gibbons helped compensate for sharp downturns in demand for Park Rubber's window seals and ABT's locking devices, leaving the division's pre-tax profits ahead at £2.58m (£2.23m).

Electrical products showed good organic growth, and a £600,000 boost from Lorlin helped take the division ahead from £1.65m to £2.71m.

Metal finishing contributed £847,000 (£618,000) with materials handling making £2.07m (£1.8m), and specialist engineering producing £521,000 (£402,000).

Mr Kirk said there had been no further contact with Newman Tonks over its holding since the summer. He held to the view that the stake was aggressive.

● COMMENT

Eddie Kirk sounded unusually relaxed yesterday for a chairman arming himself against a circling predator with the prospect of static earnings. His company's figures might have been slightly better than expected but the uninspiring outlook left the shares, earlier this year a stock market favourite at 196p, down 6p at 139p. At that level, they may have reached the bottom of the trough, but for all the wrong reasons. If Newman Tonks is planning a hostile bid, it will likely have been waiting for yesterday's results to come out before making its move. If Tonks bides its time, others may take its place, for opportunities to buy security and architectural hardware businesses are as sought-after as they are rare.

Eddie Kirk: UK economic conditions will affect sales

Left to himself, Mr Kirk would like to finance further expansion of his security division by selling off parts of the materials handling and specialist engineering operations. Unbundling, he believes, is something he can manage quite well on his own.

Pavilion joins forces in private health venture

By Andrew Bolger

Pavilion Leisure Holdings is to establish a joint company with two architects to develop and operate private health and leisure projects in the UK.

Pavilion said Mr Peter Sargent and Mr Mark Potiriadis would bring the expertise they had acquired with their architectural practice to the new company, which is to be named S&P Pavilion.

In July, Pavilion completed its £57m agreed reverse takeover of Parkdale Holdings, the property and leisure group. Its chief executive is Mr George Martin, a former chief executive of Pleasurama and LandLeisure.

Mr Sargent and Mr Potiriadis will each subscribe for 10 per cent of the new company. Pavilion will own the remaining 80 per cent of the equity and will provide working capital of £6m.

Mr Martin said the company had been set up with the aim of establishing a chain of local authority and private leisure centres, including health clubs, saunas, preventive medicine and stress management facilities.

It was also intended that S&P Pavilion would become a specialist leisure development company.

Twigrealm wins battle for MTS

THE BITTER battle over the future of Meat Trade Suppliers, the Smithfield-based sausage casing and butchers' sundries company and the centre of a family feud, finally came to an end yesterday as Twigrealm, one of the two property companies fighting for control, declared its bid wholly unconditional, writes Nikki Tait.

Its announcement was made less than 24 hours after the board of MTS decided to recommend the offer, having failed to find a higher bidder.

The board, headed by Mrs Samantha Allan, had previously supported rival proposals from Alpha Gamma, another privately-owned property company.

However, these were rejected last week by shareholders. Since then, MTS has held "a number of discussions with third parties" but no proposals were forthcoming.

Accordingly, it announced yesterday morning that it was recommending shareholders to accept Twigrealm's offer of 350p cash per share.

With that recommendation Twigrealm – a newly formed vehicle headed by Mr Freddy Hirsch, a South African butchers' supplier and Mr Stephan Wingate, the property developer – was able to declare its offer wholly unconditional, having acceptances in respect of 54 per cent of MTS shares by the first closing date at 3pm.

Twigrealm had irrevocable undertakings to accept in respect of 24.5 per cent of MTS when it first made its bid – reflecting the support of Mr William Anstis, the company's octogenarian founder and Mrs Allan's father, plus his two sons and other daughter.

The 18.7 per cent stake, held in trust for grandchildren, is also understood to have been placed in favour of the offer.

The Twigrealm offer is extended to November 7. The bidders hope to keep a quotation for the group.

Yesterday's denouement brings to an end a saga which started over a year ago, with boardroom changes at MTS leading to a charged annual meeting last November. The shares rose strongly as rumours of the group's "shell" potential grew, prompting the Stock Exchange to request their suspension in March at well over 400p.

But continued differences between Mr Anstis and the rest of the board meant no deal was forthcoming. After pressure from M&G, the unit trust group which holds 16.5 per cent of MTS, Mr Anstis resignsd in July. Alpha Gamma's long-awaited proposals were then overtaken by the arrival of Twigrealm.

Yesterday, MTS shares, which returned from suspension last week, fell 5p to 353p.

SHARE STAKES

Albion: Credit Suisse Nominees London shareholding has increased by 52,500 to 202,500 (5.4 per cent).

ATP Communications: Cantel has bought 190,000 ordinary, bringing its total to 3.13m (24.4 per cent).

Bourne End Properties: Vasella acquired 45,000 ordinary and now has 5.2m (61.2 per cent).

Lawtex: United Overseas Group bought 25,000 ordinary taking total to 670,000 (16.56 per cent).

Macallen-Glenlivet: AG Shiach, a director, has disposed of 300,000 ordinary (0.6 per cent) reducing his holding to 3.41m (7 per cent).

Vinten: Mrs J Vinten-Robinson now holds less than 5 per cent of the issued capital.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Boxmore Intl §	int	1.7	Nov. 28	-	-	-
Cooper (Fred)	fin	2.5	Feb 5	2.15	3.85	3.25
Densitron	int	0.7	-	0.7	-	2.35
FR Group	int	2.23	Dec 13	1.94	-	5.54
George Ingham	int	1	Nov 16	1	-	3
Klark-Teknik §	fin	0.9	-	0.5	1.4	1.3
Pressac	fin	1.5	Dec 7	1.25	2	1.75
Ross Catherall	int	2	-	-	-	-
St Ives	fin	3	Dec 4	2.25	4.25	3
Scott Met Prop	fin	3.75	-	3.1	6	5.1
Shandwick	fin	1.8825†	-	1.375	2.55	1.875
Value and Income	int	1	-	0.725	-	1.725
Wolseley	fin	8.2	Jan 31	6.7	11	9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♯Third market.

BUSINESSES WANTED

UK COMPANY NEWS

Evered underwriters take 71% of rights

By Andrew Hill

EVERED, the specialist quarries and building materials group, yesterday announced that less than 30 per cent of last month's £68m rights issue had been taken up.

It is the fifth issue in the last seven days to fall foul of the market's uncertainty.

Mr Roy Kettle, Evered's chief executive, said yesterday: "It's obviously a disappointment – it just happened that the issue *straddled the* recent market volatility – but our advisers are very relaxed about it."

The 3-for-10 rights was launched a month ago at 125p per share, compared with a market price of 158p. Yesterday, Evered's shares closed down 4p at 129p.

About 28.7 per cent of the shares allotted were taken up. Sub-underwriters will subscribe for the balance of the issue.

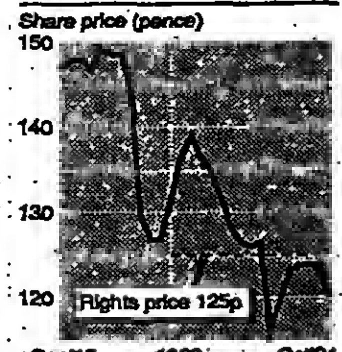
Proceeds were earmarked for Evered's quarry acquisition programme. Mr Kettle said *the low take-up and the market uncertainty would* have little effect on the programme, but added that the group might make more purchases in the US, because of the volatility of demand in the UK. *The company originally* intended to invest roughly equal amounts at home and in the US.

"The one thing about having cash is that over the next six to nine months there will be opportunities we could take up at fairly good prices," Mr Kettle said yesterday.

He said he hoped Evered would be cushioned from any further building recession by *its concentration on the north* of England and Scotland, and its comparatively low exposure to the private housing market.

Evered

Share price (pence)



Acquisitions help lift Shandwick to £14.8m

By Nikki Tait

SHANDWICK, the acquisitive UK-based public relations group, yesterday unveiled pre-tax profits of £14.8m in the year to end-July, scored on turnover of £126.1m.

The figure compared with profits of £8.81m in the previous year, when turnover was £83.3m. However, the rise partially reflected the impact of acquisitions, with companies purchased during the past year accounting for £4.7m out of total operating profits of £16.7m.

These included Golin/Harris Communications, the Chicago-based public relations business which Shandwick acquired from Foote Coone & Belding in late March on an "earnout basis"; New York-based Dorf & Stanton, acquired at the end of the financial year; and about a dozen smaller deals.

Yesterday, Mr Peter Gummer, Shandwick's chairman, maintained that underlying organic growth, once the full impact of acquisitions was stripped out, was between 20 and 25 per cent.

At the earnings per share level – after a reduction in the tax charge from 34.5 to 33.5 per cent – the figure goes up by a fifth to 14.3p. The final dividend increases rather more sharply – by almost 37 per cent – to 1.8825p, making a total for the year of 2.55p.

During the 12 months, operating income rose by 82 per cent to £73.1m, while costs increased roughly in line to £56.4m.

Interest charges rose from £270,000 to £1.86m, and net debt at the year-end stood at around £13m. With Shandwick now *showing net liabilities* of £3m, there is no meaningful gearing ratio, but the company points instead to interest cover of nine times.

Shandwick said that last year over £1m was invested in financial systems, and a similar sum will go into a new marketing structure in 1989-90. Referrals from one part of the group to another last year produced fees of around £5m on an annual basis.

Shandwick also estimated that the world's PR consultancy market was worth "a conservative £2.5bn," and growing at around 20 per cent per annum. It put its own share of the market at 4 per cent.

Peter Gummer: underlying organic growth between 20 and 25 per cent

● **COMMENT**

Shandwick rolled out figures much as the market expected yesterday – evidenced by a modest 1p rise to 128p in the share price. This can only comfort investors who have seen the shares underperform the sector significantly since August, with a plunge from a high of 189p in September to a low of 104p shortly after the latest Black Monday. Part of Shandwick's perceived problem is the continuous flow of acquisitions, which makes results difficult to analyse. And although the deal pace may slow, Shandwick admits that are still a few gaps in its coverage where "infill" purchases might be made. A possible £70m-worth of future payments on earnouts is scarcely a plus, either – not least because some of these are now approaching their final stages, with all the "what happens then" *questions starting to* loom. On the positive side, the company's claim that its income is now well-spread both geographically and in terms of type of business is probably justified. But the fundamental issue of how susceptible PR might be to recession remains debatable. Shandwick maintains that any softness on the consumer side should be compensated by growth areas, like environmental PR, but some analysts are waiting for the case to be proved. All in all, current year forecasts run out at about £19m-£20m, which puts the shares on a prospective rating of 7.5. That looks a little cheap, but the upside may be limited until the quality and resilience of the earnings growth becomes clearer.

Further eruptions at Rock

By Clay Harris

THE BITTER and protracted dispute at Rock, the components distributor, flared up again yesterday when the leader of a dissident shareholders group complained about the board's failure to announce the number of votes cast on each side of five resolutions which were defeated on a poll at last Friday's extraordinary general meeting.

Mr Joseph Stephens, a director of Manchester stockbroker WH Ireland Stephens & Co, also said the board had disenfranchised an unspecified number of Rock shareholders. His group was taking legal advice on the latter issue, Mr Stephens said, and did not exclude the possibility of requisitioning another EGM.

Mr Oswald Dockery, chairman, said it had always been Rock's policy not to announce the votes cast on polls. Few other UK companies take this position.

He confirmed that some shareholders had been disenfranchised for failing to give satisfactory replies to notices issued under Section 212 of the Companies Act in an effort to *discover beneficial ownership.* Any shareholder who was disenfranchised would have received a 212 notice at least 42 days before the EGM, he said.

Mr Dockery said Mr Stephens was upset because the *board's final circular, issued* only days before the meeting, had resulted in a "torrent of proxy cards coming in changing their votes" away from the dissidents' position.

However, Mr Stephens described the board's position as "undemocratic," even if it was within its legal rights.

At Friday's EGM, the board said four of the resolutions, which sought to elect new *directors, would not have been* binding even if they had been passed. The fifth, which was also defeated, demanded the removal of Mr Robert Justice, a solicitor, as a non-executive director.

Charles Barker

At the extraordinary meeting of Charles Barker, shareholders approved the sale of the London-based public relations businesses to Corporate Communications, and the demerger of Ayer Barker to NW Ayer.

Shareholders have also agreed that the company be renamed BNB Resources.

USH makes £1.7m purchase

By Andrew Bolger

United Scientific Holdings, the defence contractor which is the target of a hostile takeover bid from Meggitt, yesterday announced it had paid £1.7m for Self Changing Gears, which makes transmissions for mili*tary and civilian vehicles.*

Alvis, the USH subsidiary, which makes armoured vehicles, bought the Coventry-based SCG from Cummins UK, the engineering group. In addition to the initial cash price, a further £200,000 may be paid, depending on the value of *SCG's orders to the end of 1990.*

Cummins has warranted that SCG had net assets of at least £3.6m at September 30.

Meggitt launched its bid for USH on September 11, with an all-share offer worth £114m. Both companies' shares have since fallen sharply. With Meg*gitt's shares down 2p to 94p* yesterday, its partial cash alternative is worth 138p, the same as USH's closing price yesterday, down 1p.

The offer has been extended until October 31.

USM placing values CIA Group at £8.5m

By Clare Pearson

CIA GROUP, an independent advertising services company specialising in media buying, is coming to the Unlisted Securities Market with a price tag of £8.5m.

The company is placing 2.75m shares, representing 26.6 per cent of the enlarged equity, at 82p each. About 1.22m of these are expected to raise, net of expenses, some £640,000 in new money for the company.

CIA Group, which was formed in 1976, plans advertising campaigns and the buying of time and space primarily in broadcast and published media. It is also involved in media and marketing research and consultancy services.

Mr Chris Ingram, chairman, said CIA's prospects should be seen as *distinct* from the gloomy prospects for the UK advertising industry as a whole. This was because there was a major trend across Western Europe towards the use of specialist media companies.

The prospective *p/e* at the placing price is 9.1, on a pre-tax forecast of £1.7m for the year to end-December, and the notional gross dividend yield is 4.07 per cent. In 1988, pre-tax profits stood at £862,000 on turnover of £54.17m.

In July 1989, CIA acquired Billet & Company, a similar UK media specialist. Eventually *after quotation, it hopes to* build an international business through acquisitions and joint ventures.

The placing is arranged by Kleinwort Benson Securities.

Macro 4 completes

Macro 4 has completed negotiations to acquire an existing product from an independent software company.

The product, which is compatible with the VSE operating system, will be sold in conjunction with one of Macro's existing products, as well as stand alone. An MVS version will be developed by Macro soon.

Hornby success in tax dispute

By Richard Waters

HORNBY GROUP, the toy and hobby product maker, yesterday reported success in a tax dispute with the Inland Revenue which could affect the tax postion of other buy-outs concluded in the early 1980s.

As a result of the favourable decision for the company from tha Inland Revenue's special commissioners, Hornby expects to release a £2.5m provision made in respect of the buy-out of Hornby Hobbies in 1981.

The amount, expected to be treated as an extraordinary item in this year's results, will boost shareholders' funds which were reported at £7.5m at December 31 1988.

The Inland Revenue has yet to indicate whether it intends to appeal against the decision. The company said that, given the chances of the decision being ovarturned, it had decided to release the provision rather than wait for the Revenue's decision.

The dispute centred on the purchase of Hornby Hobbies at a price below its net asset value. The Revenue challenged the way that the buy-out was structured, claiming that part of the price should be taxed as income. The £2.5m provision represented tax on this amount, plus interest.

The decision could affect other buy-outs which were conducted at below net asset value. Any deals affected are likely to date back to the early 1980's, when buy-outs more frequently involved the disposal of all or part of unprofitable businesses which might otherwise have been closed down.

UK COMPANY NEWS

Demand for PET bottles aids rise at Boxmore

By Peter Franklin

BOXMORE International, the Belfast-based manufacturer of plastic packaging and cardboard cartons which joined the USM in May, yesterday reported pre-tax profits of £1.28m for the six months to the end of June.

This represented a leap of 45 per cent on last year's £891,000 and came from turnover up from £8.57m to £8.15m.

Mr Harold Ennis, group managing director, said that turnover had improved in both the plastics and carton trading divisions.

Turnover at the plastics division, which accounts for some two thirds of total revenue, had continued to improve. Buoyant demand for plastic containers had been the principal reason for the advance, he said.

Boxmore supplies PET bottles to soft drinks companies throughout the British Isles, and its customers include Pepsi, Coca Cola and Cantrell & Cochrane.

Although PET bottles are not bio-degradable they can be sterilised for re-use. Mr Ennis said that the company had the facilities in place for this process and were ready to respond should the demand occur.

The industrial packing side had also had a good half with operating profits substantially ahead of last year. Boxmore supplies hi-tech packaging to companies such as Short Brothers, the Belfast aerospace group.

With cash reserves of around £2m the directors are actively seeking suitable acquisitions to strengthen the group.

After tax of £357,000 (£244,000) earnings per share came out at 8.9p (6.4p) and the directors have declared an interim dividend of 1.7p.

ADT/Christies

ADT, the electronic security systems and car auction group, has increased its holding in Christies International, the art auctioneers, from 5.7 per cent to 6.4 per cent.

Outcome pleases City in spite of setback at subsidiaries

FR shows 24% advance to £11.9m

By Clare Pearson

PRE-TAX profits of FR Group, the maker of specialised equipment for the aircraft, energy and electronics industries, pushed ahead from £9.6m to £11.9m in the six months to June 30 as they recovered from the depressed 1988 level.

The results marked a 24 per cent improvement on the first half last time when FR incurred unusually high levels of product development expenditure.

But the profits advance came despite disappointing results from two subsidiaries, WES, the container manufacturer, and Hymatic Engineering, which makes coolers for thermal imaging systems.

Mr Michael Cobham, chairman, said "the process of turning around" WES was requiring more extensive action than expected. Hymatic suffered both from higher-than-expected engineering expenses and delayed orders.

Flight Refuelling gained a

Michael Cobham: in the process of turning round WES

new order for the supply of extended range fuel tanks for the Tornado aircraft, while FR Aviation was appointed the recognised service facility in the UK by Canadair for the Challenger aircraft. The indications were that Carleton's results for the full year would be excellent, Mr Cobham said.

There was a £3.4m provision below the line for discontinuance of subcontracting work at WES; relocations of Strabor and Hypresair, two small acquisitions made this year; the amalgamating of two plants owned by Carleton, the US pneumatic systems business; and a further, unnamed rationalisation plan.

Among FR's five acquisitions since January, Chelton, the biggest, which joined the group in April, gained substantial new business.

Turnover rose by 13 per cent to £73.4m (£65m). Earnings per share increased to 10.8p (9p), and the interim dividend is set at 2.23p (1.94p).

● **COMMENT**

FR Group fell from grace in the City's eyes a good 18 months ago, when it failed to warn people of how much its inflight refuelling pods were costing to develop. But the recent performance of the shares has been dismal even by these standards. However, followers of the company, cheered up by these figures, now reckon this de-rating process has gone quite far enough. In the current year, pre-tax profits are expected to rise from £22.4m to about £25.5m. But beyond that FR appears to have excellent prospects in a number of areas: for instance, its air-to-air refuelling equipment is into the final stages of trials with the US Airforce and the FR Aviation subsidiary has been getting some encouraging orders from the Ministry of Defence. Although FR's once-fabled 20 per cent-plus growth rate may be a thing of the past, analysts expect it to sustain up to 15 per cent in the next few years. The shares, at their five-year relative low, stand on a prospective p/e of about 8.7.

Amstrad denies merger plans

By Alan Cane

AMSTRAD, the UK-based electronics group which last week reported profits sharply reduced to £76m, has moved to crush rumours that it is seeking either to merge with, or to be acquired by, a larger group as a solution to its problems.

Profits last year totalled £160m. Amstrad's share price, over 200p a year ago, is now hovering around the 50p mark.

The company's performance has been adversely affected by high business expenses and inventory. Analysts are predicting a further fall in profits to about £36m next year.

The rumours, emanating from newspaper reports over the weekend, linked Amstrad's name with GEC and STC as possible partners, despite a statement last week from Mr Alan Sugar, chairman, that the company intended to seek permission to buy back its own shares and find a solution on its own.

Yesterday, to put an end to confusion in the market, it issued a statement saying: "The company has been considering with its advisers how it might best position itself for the future and capitalise on its strengths. It is not, however, currently in negotiations with any third party."

Mr Sugar had earlier told the Financial Times that there was a relationship between Amstrad and GEC but it was no more than customer/supplier. "They have factories available to us. We have always used subcontractors to assemble our products and that is what we wish to continue to do."

Asked about suggestions that Amstrad might become GEC's consumer electronics division he said: "That was all pie-in-the-sky discussions of a few years ago."

Polymark ahead 25% to £1.1m

WITH ALL divisions profitable for the first time in several years, Polymark International has turned in record interim results.

In the six months to June 30 the group, involved in laundry equipment and technographics, lifted turnover 24 per cent, from £17.04m to £21.1m, and pre-tax profit some 25 per cent, from £881,000 to £1.11m. Earnings per 10p share worked through at 3.69p, up from 2.75p last time.

However, Mr Len Weaver, chairman, said the directors considered it premature to resume payment of ordinary dividends until the UK-based operations achieve some further improvement in profitability. The last payment was for 1980.

Technographics returned to a profit of £31,000 (loss £43,000), and with the closure of the Irish plant the manufacturing operations will be concentrated in Wembley and Cincinatti. The laundry side increased profit to £342,000 (£224,000) and strengthened its market leadership.

The French division's profit eased to £691,000 (£711,000), although its turnover advanced by £3.3m. Mr Weaver said the market for laundry equipment remained buoyant and the order book was strong.

French demand for Raleigh cycles led to supply difficulties but that situation had now been resolved.

The Polish branch had been sold to Polymark's West German partners. In the year's accounts thsre will be an extraordinary credit of £625,000, representing £275,000 on signing the contract and £350,000 guaranteed annual instalment; there are two further similar instalments to come.

Yearlings down ⅛%

The interest rate for this week's issue of local authority bonds is 14⅛ per cent, down ⅛ of a percentage point from last week. There is no comparative figure for the corresponding period last year. The bonds are issued at par and are redeemable on October 30 1990.

Restructuring starts to work through at Vivat

VIVAT HOLDINGS might achieve a small profit in the second half of this year and should be operating profitably in 1990.

This was forecast by Mr Michael Cooper, chairman, in his interim report for the six months to June 30, which showed losses reduced from £3.02m to £1.32m on turnover down from £69.06m to £54.35m. Loss per share was 3.4p, against 8.6p.

Core businesses – the manufacture, wholesale and retail of jeans and casual wear – had begun to benefit from strengthened management and the restructuring programme, he reported.

Trading from all companies in the second half was encouraging and indications were for a small profit. While the possibility of a recession could not be ignored, Mr Cooper believed the group would be profitable next year.

At the end of last year Vivat sold its UK retail arm to Chelsea Man and has received £15m.

Chelsea Man has failed to meet the final payment of £3.1m, indicating that it might have warranty claims under the agreement; but Vivat will resist that and has begun proceedings to recover the outstanding money.

Imtec seeks more funding via open offer

By Andrew Bolger

Imtec Group, the USM-quoted manufacturer of micrographic equipment, is to be financially restructured just a year after being the subject of a £4.7m rescue package.

Imtec, controlled by the venture capital arm of British & Commonwealth Holdings, is to raise £1.9m by an open offer to existing shareholders of 107m new shares at 2p on a one-for-two basis. The funds raised will eliminate indebtedness.

The shares closed yesterday at 2¼, down ½p.

Following last year's introduction of capital and new management, Imtec just crept back into the black in the six months to end-June, the first profit it had achieved since 1984.

However, the company said yesterday that Laser-Scan, its most successful division, would be unlikely to match its strong first-half performance and the overall result of the group would suffer accordingly.

The main problem lies with the engineering graphics division, which Imtec said was continuing to trade at an unacceptable level of loss.

B&C Ventures Investors, which is underwriting the open offer, will see its stake rise from the current level of 54 per cent of Imtec's equity to a a maximum of 69 per cent, depending on the take-up.

Klark-Teknik confident after 15% improvement

KLARK-TEKNIK, the USM quoted designer and manufacturer of electronic equipment for the professional audio industry, reported a 15 per cent rise from £976,000 to £1.13m in pre-tax profits for the year to July 31. Turnover rose from £6.25m to £6.82m.

The directors said the company was experiencing a buoyant first quarter in the current year and believed prospects for the future were excellent. New products introduced in the second half of 1989 and additional new products planned for introduction in 1990 would contribute strongly to growth in the current year.

In addition sterling is trading in the company's favour and the new distribution company in Singapore will have completed its first full year of operations.

After tax of £377,000 (£348,000) earnings per 5p share came out at 4.7p (3.9p); the proposed final dividend is 0.9p to make a total for the year of 1.4p (1.3p).

TI sheds more light on possible Mannesmann link

by Haig Simonian

MR CHRISTOPHER Lewinton, chairman and chief executive of TI, has shed a little more light on possible areas of co-operation with Mannesmann, the West German engineering group which last month bought a 5 per cent stake in the UK engineering group.

Speaking in Frankfurt this week, Mr Lewinton identified controls for heat treatment equipment, part of the thermal technology field in which TI claims to be a world leader, as a potential field for the two companies to work together.

Heat treatment technology is a vital part of many manufacturing processes, and Mr Lewinton said there were obvious opportunities for TI and Mannesmann to consider joint marketing.

He drew particular attention to the potential for TI in the West German market, where it currently has annual sales of DM250m and employes some 1,300 people. The group's West German turnover "should be somewhat more", he said.

"If we had the help of a company of Mannesmann's quality we could improve the thrust and quality of our marketing in Germany", he said.

Obvious areas for higher local TI sales were the West German chemicals and automotive industries. Meanwhile, Mannesmann would seek to make use of TI's presence in certain other parts of the world where TI was better represented, he said.

However, Mr Lewinton took care to avoid being too specific about the likely benefits of Mannesmann's equity stake, described by Mr Werner Dieter, the West German group's chief executive, as "a little glue holding us together".

The two sides had already set up a six-member committee, comprising three executives from each company, to start looking at concrete areas for closer co-operation whether in sales, marketing or potential acquisitions.

The committee would also establish links with operating companies within the two groups where necessary, while Mr Lewinton and Mr Dieter would meet quarterly to review progress and continue the talks, he said.

Mr Lewinton emphasised that he saw no reason for Mannesmann to raise its stake in TI beyond 5 per cent. "I certainly do feel it's enough glue" he emphasised, noting that the West Gsrman group had agreed to to increase its holding without the TI board's prior approval.

UK COMPANY NEWS

Shares jump 60p as former Thomson T-Line team moves in

Diversification planned at George Ingham

By Clay Harris

GEORGE INGHAM & Company, the Halifax-based worsted spinner, plans to diversify away from textiles with the financial backing of the team which built up Thomson T-Line, the mini-conglomerate taken over by Ladbroke Group in February.

Ingham shares yesterday closed 60p higher at 170p after it said that Chelsworth, a Guernsey company whosa shareholders include family trusts of Mr Hugo Biermann and Mr Julian Askin, T-Line's former joint chairmen, was to take a 25 per cent stake. Chelsworth will inject £760,000 as part of a rights issue intended to raise a total of £1.14m.

The top executive positions at Ingham will be filled by Mr John Philips and Mr Allan Duckworth, managing director and finance director respectively of Vernons, the football pools promoter which was Ladbroke's main target in buying T-Line.

Ingham also reported a pre-tax loss of £95,000 for the six months to June 30, against profits of £215,000 in the first half of 1988. The interim dividend is maintained at 1p.

Mr David Courtman, the Leeds merchant banker who has been non-executive chairman of Ingham since July, said the company intended to maintain its yarn-spinning business and did not rule out expanding it selectively within the enlarged group.

However, the immediate priority would be diversify into other activities. The first likely acquisition was a privately owned food additives manufacturer, with which Ingham had already held preliminary discussions, Mr Courtman said.

Turnover fell by 24 per cent to £2.8m (£3.68m). A 3p loss per share compared with earnings of 6.93p in the 1988 period. Ingham said the second half would be difficult, although it had installed extra spinning capacity to take advantage of any improvement in demand.

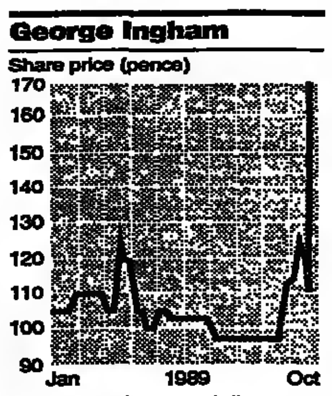
The three-for-five rights issue is priced at 95p. Two thirds of the shares on offer have been renounced in Chelsworth's favour by directors and family interests whose total interest in Ingham will fall from about 75 per cent to 37 per cent as a result.

The other shares have been underwritten by Singer & Friedlander, Ingham's financial adviser. Mr Courtman is a director of Singer.

Mr Philips and Mr Duckworth joined Vernons from Price Waterhouse last year. Ladbroke said they would leave Vernons early in 1990, although they would remain in their positions until successors were in place. Their planned departure was "amicable," it added.

Smith New Court, the only market maker in the infrequently traded shares, said only 2,500 shares changed hands yesterday. With Chelsworth taking up most of the new shares, liquidity is not expected to improve in the short term.

At 170p per share, Ingham has a market value of £3.4m.



Kwik-Fit rejects Continental

By Andrew Hill

KWIK-FIT Holdings, the car parts specialist, yesterday rejected proposals put forward by Continental, the West German tyre maker which owns 13.13 per cent of the UK group, on "areas of mutual interest".

Continental – itself the subject of some takeover speculation at home – last Friday increased its stake from 10 per cent. Kwik-Fit, Britain's largest independent distribntor of tyres, yesterday said that it considered the West German gronp's continned purchase of shares unwelcome.

The UK company has had discussions with Continental over the last few weeks, following the purchase last month of the 10 per cent stake. At that tima Continental said it regarded its investment as long-term.

Bnt yesterday's Kwik-Fit statement said: "The board of Kwik-Fit has seriously considered Continental's proposals and can see no merit in them for Kwik-Fit or its shareholders, customers and staff."

Neither Kwik-Fit nor its advisers were available to comment on the nature of the proposals or the detailed reasons for rejecting them.

Kwik-Fit shares rose 7p in a weak market to 159p, valuing the company at £255.5m.

Meanwhile, in West Germany, Continental's shares continued to rise on hid rumours. Possible predators mentioned included Japanese and Italian companies.

The stock rose DM4 to DM346 in Frankfurt, at which price the group is worth just under DM3bn (£1.02bn).

Last week Continental provided the focus for a primitive hoax aimed at hoisting the share price. It called a non-existent press conference, at which a DM400-per share takeover bid was to be announced.

Wilshaw attracted to magnet manufacturer

By Andrew Bolger

WILSHAW, an industrial and engineering products holding company, is to pay £3.6m for SG Magnets Holdings, which makes magnets used in automotive instruments and telephones.

SGM has a factory in Rainham, Essex, and distributes mainly in Britain, Europe and the US.

An American subsidiary established in 1987 operates a warehouse and sales office in Pennsylvania and the US accounts for 38 per cent of SGM's turnover.

Both Ford and General Motors are supplied by SGM and half the group's turnover is tied to the automotive industry.

Wilshaw has interests in tractor and aircraft components, metal powders, aluminium castings, and building products. Its most successful business is Powdrex, which makes high alloy metal powders used to increase the durability of engine components.

Mr Peter Reynolds, Wilshaw's chief executive, said SGM was an excellent fit with Powdrex and joint marketing and product development would provide exciting opportunities for expansion, particularly in the US.

SGM is being purchased for £1.9m cash and by the allotment to the vendors of 7.3m ordinary shares, of which 6.8m have been placed with institutional and other investors by Charterhouse Bank. Wilshaw shares closed at 24½p, down ½p.

J Wilkes expands with £1.2m drinks mat buy

By Jane Fuller

JAMES WILKES, the world's largest supplier of beer mats, has bought tha drinks mat business of Smurfit Cartons for £1.2m.

Mr Stephen Hinchliffe, chairman, said Wilkes would transfer the equipment and business it had bought to its two factories in Huddersfield and Belginm. The acquired assets had been valued at £348,450.

The former Smurfit operation produced 125m mats a year, he said, which would increase Wilkes's annual output to 1.15bn.

Turnover from the acquired business was this year expected to be £980,000. In a full year he expected the pre-tax profits contribntion to be about £300,000. Wilkes made £2m in the first half of this year.

Cash for the purchase came from Wilkes's sale of its stake in James Neill Holdings, the Sheffield toolmaker, for £7.25m.

Value and Income higher

Value and Income Trust reported fully diluted net asset value of 76.5p at September 30, against 61.5p a year before. The undiluted figures were up from 77.5p to 107.7p.

In the six months to end-September total income rose 15 per cent to £1.93m (£1.67m) and after tax of £239,000 (£179,000) earnings per 10p share were 1.25p (0.67p).

The interim dividend is raised to 1p (0.725p) and directors said that the total payment should increase by 20 per cent to more than 2p.

Densitron reduced to £550,000

Lower pre-tax profits of £550,000, against £865,000, were announced by Densitron International, an electronic component maker, for the six months to end-September.

The "disappointing" first half was tempered by expectations of a substantial improvement in the second, directors said.

That was based principally on strong orders from the US and Japan, a move to profitability in the microwave division and the success of the Taiwanese operation.

Earnings per 5p share fell to 2p (2.98p), but the interim dividend is maintained at 0.7p.

Turnover was lower at £10.35m (£11.85m). Operating profits dropped from £1.1m to £633,000.

Net assets rise 35% at Scottish Metropolitan

By Paul Cheeseright, Property Correspondent

SCOTTISH Metropolitan Property, the biggest of the Scottish property investment groups, yesterday presented the latest results of a lengthy restructuring in the form of a 35 per cent increase in net assets and a similar advance in taxable profits.

At the year end of August 15, net asset value per share was 241.3p, compared with 178.8p a year earlier.

Pre-tax profits were £12.45m, up from £9.26m in the previous 12 months while earnings per share rose from 6.35p to 8.34p.

The results reflected the outcome of a programme which, on one hand, has progressively weeded ont of the portfolio numerous small properties and, on the other, has led to a sectoral and geographical expansion.

About 40 per cent of Scottish Metropolitan's rental income of £12.65m last year came from England and Wales. At the same time the nature of the £247m investment portfolio has changed. The retail element has been run down so that it now accounts for just 40 per cent of the total. Offices account for 43 per cent while industrial, warehousing and general bnsiness premises account for the rest.

Over the year the group had profits of £2.3m from property trading and a boost from the interest payments accruing from its £30m debenture, launched last February.

Gearing has been held to 43 per cent in spite of a larger development and property-buying programme in regional centres. Although Scottish Metropolitan has been active in the south-east it has generally stayed away from central London.

The recommended final dividend is lifted to 3.75p, making a total of 6p (5.1p) for the year.

S&N sale approved

At an extraordinary general meeting, shareholders of Scottish & Newcastle Breweries approved a resolution to sell Thistle Hotels.

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Highlights of 1989 Annual Results

	1989	1988	
Sales	£2,187m	£1,972m	up 11%
Profit before tax	£187.1m	£146.3m	up 28%
Earnings per share	81.2p	73.7p	up 10%
Dividends per share	25p	21p	up 19%

"This sixth successive year of strong profit growth demonstrates the soundness of Lucas strategy in its chosen markets. New products; more customers; higher market shares; enhanced quality; better productivity and increased profit – all these encourage us to face future opportunities and challenges with confidence."

Tony Gill, Chairman.

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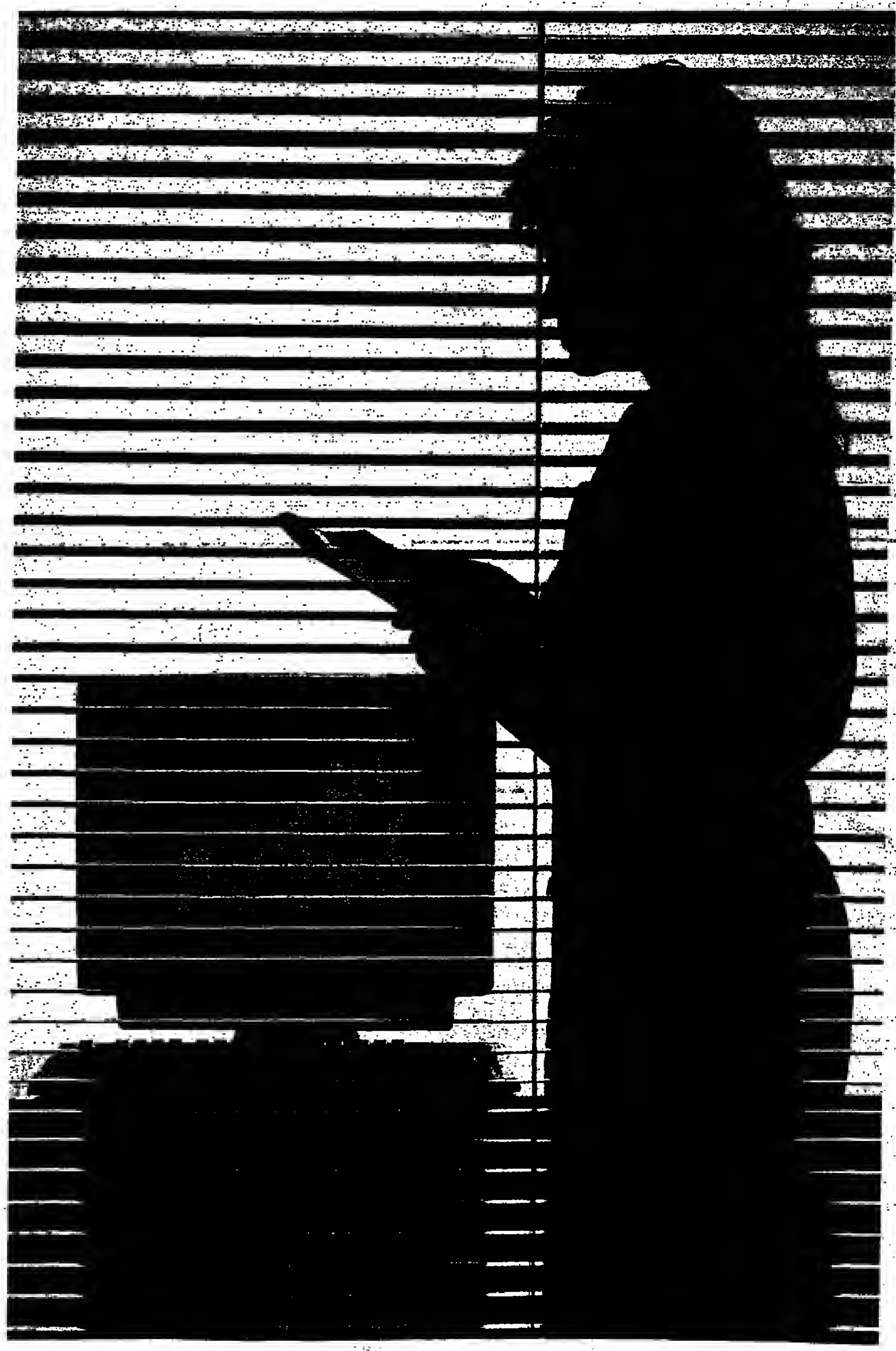


TECHNOLOGY

Contact lenses at a throw away price

A LOW-COST way of making disposable contact lenses, developed by two private inventors, is to be marketed worldwide by the British Technology Group.

The inventors, Bill Seden and Ron Hamilton, believe it could transform what they call a "large cottage industry" – making contact lenses into a fully integrated process industry similar to the pharmaceuticals industry.

Contact lenses are already worn by about 40m people worldwide. Their supply and servicing is estimated to earn nearly £2bn a year.

BTG has acquired the British patents and plans to market the process globally, sharing earnings with the two inventors. They say the process can be used to make both the conventional contact lenses and the newer disposable ones, and can be put under computer control.

Barry Cartwright, an executive with BTG's inter-corporate licensing division, called it "a process in the right place at the right time." Disposable lenses – which need no solutions and can remain in the eye for up to a week – are the fastest-growing part of a market, with overall growth at about 5 per cent a year.

Unlike current labour-intensive processes, it makes the lens "untouched by hand" until unpacked by the customer. It uses a patented plastic moulding process in which a liquid chemical (the monomer) is formed into the lens, polymerised in its mould, and then sealed into the mould which forms its sales package.

For the user, it should offer a cheaper product and simpler hygiene. Also, BTG says that the process will make the lens convex-side np at all times, avoiding any risk of inserting it "inside out."

Seden and Hamilton have worked on the technology for the past 18 months. BTG believes that there are about 80 big makers of contact lenses worldwide, and expects to canvas abont 40 in its efforts to negotiate licence agreements.

David Fishlock

Della Bradshaw reports on the growing relevance of executive information systems

The director's new best friend

The McVitie Group intends to give its rivals a run for their money in this year's Christmas biscuit market, by jazzing up its range of tinned confectionery. The move is meant to combat the decline in market share suffered by the company in recent years, a decline which only came to light when a computer system was installed specifically for the group's senior executives.

The information on market share was not new. But the information was not presented in a way which made its significance apparent, says Vic McDonald, business systems manager of McVitie (formerly UB Brands), part of United Biscuits. "We knew that our sales dropped off over the Christmas period, but we assumed that was because people were not buying biscuits – they were bnying something else," reports McDonald. "It was only when we overlaid the sale figures from our competitors that we realised we were losing market share to them."

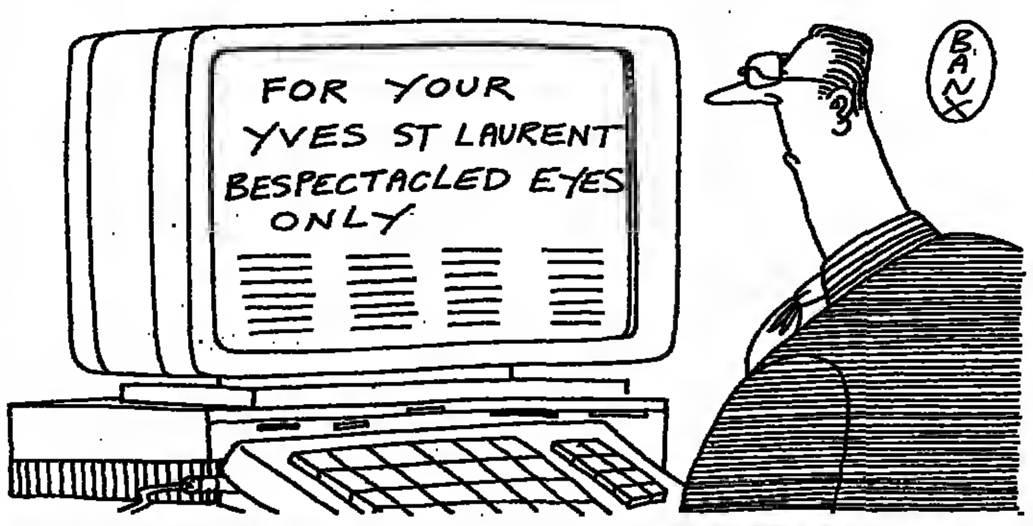
The computer system installed by the McVitie Group is an executive information system (EIS), which extracts data from a company's web of internal computer systems – and external data sources – to give top managers an insight into their company and its position in the market.

The overriding reason for the installation of snch systems is the need to sift out relevant information from the miles of computer print-outs that organisational compnter networks spew out every year.

"It's a brilliant irony that as more information is held on corporate systems, the briefing books get thicker and managers become inversely able to manage," says Ian Meiklejohn, director of Business Intelligence, the EIS research and seminar organisation. "The relevant details that they need are disguised in all that data."

Although EIS systems were developed only within the last five years, they are winning an increasing number of friends in high places. The trend looks set to develop, with the market growing at over 30 per cent a year, according to International Data Corporation, the US market research organisation. Four years ago, worldwide sales for such software packages were worth $30m (£17m). By 1992 the market should grow to $230m.

Top of the list of users are blue chip organisations in the US and the UK. In Britain they include British Telecom, ICL, Arthur Andersen, Thorn EMI, Rank Xerox and the Wellcome Foundation. Companies in Finland and France are also taking the plunge.



Technically speaking, EISs are diverse, using a variety of computer hardware – everything from mainframes to personal computers – and software technologies. However, all EISs have three specific attributes:

- They make the information simple to assimilate by converting figures into pie charts, graphs or diagrams. The computers are also easy for technophobic managers to use – instead of keyboards, they can use mice, touch screens or infra-red remote control devices.
- They are based on exception reporting, so a part of the business that is doing well or badly can be isolated. Many companies use "traffic lights" so that a division performing outside a pre-set parameter – say, 5 per cent below its target turnover – is highlighted on the screen in red. Other performances would be highlighted in amber or green.
- They have dynamic reporting, so executives can "drill down" through layers of information to target relevant facts.

If one division of a company, for example, showed a spectacular dowturn, the manager, spotting the red blob on the screen, could delve into the reasons for the failure. In the case of a retail chain, the initial graph might give a breakdown of sales for every region. Stripping away a layer might reveal sales in individual stores, and another layer might pinpoint the particular product line that was causing the sales bottleneck.

To drill down in this way, the software has to be ordered in a hierarchical fashion, not the usual alphabetical or numerical way it its stored on databases or in computer files. The main task of the EIS software is to order the data in this way, according to the needs of the individual executive. Tailoring the software package is a big task and accounts for about half the cost of installing an EIS.

Some systems, such as the one used by the McVitie Gronp, from Metapraxis of Kingston upon Thames, store the data on floppy disks. Each Monday information on updated disks is fed into the Compaq personal computers used by 22 managers. The system in the boardroom, which is connected to a projection screen, is also updated.

The cost of the floppy disk-based systems is comparatively low. McDonald reports that the installation cost of the McVitie system, plus the ongoing rental of the software, works out at £50,000 a year when written off over five years.

Other systems can cost up to £200,000 to install and are expensive to run, relying on direct links between the executive PC and the mainframe computer systems or outside databases. They are used by executives who need to know immediately of any developments – in the company's share price, for example.

Ian Lang, information technology manager for gronp headquarters at chemical company ICI, for example, reports that its EIS system costs about £100,000 a year to maintain – in salaries, software licences and fees for using external data sources. But he believes that cost can be justified.

"I suspect that you could cost justify it, if you did the sums, simply on the time it saves managers," says Lang. "But where the justification really comes is in helping executives make better decisions and give them early warning of opportunities, so they can beat the opposition."

The EIS used by ICI is one of just a handful of systems intended primarily to give its directors access to external, rather than internal, information, which could be of strategic advantage.

Elsewhere EISs are used to keep control on the internal workings of an organisation. Meiklejohn believes that trends are beginning to emerge in the type of EISs being installed by different organisations.

The trends indicate that floppy disk-based systems are finding a home in diversified corporations, which have international arms reporting to headquarters on a monthly basis. But retail chains, which have an integrated stock, sales and ordering system, which is updated regularly, are opting for systems which give more regular reports.

EIS systems are by no means a bed of roses, either technically or managerially. When employees are used to executives asking them for information they can feel redundant if a computer system is installed which by-passes their role. To combat that problem within ICI, each piece of information was given a sponsor – someone who was responsible for it.

Many companies installing EISs are considering buying a series of tools to build their own systems rather than buying packages from EIS companies such as Metapraxis, Execucom of Austin, Texas, Pilot of Boston, Massachusetts (sold in the UK by Thorn EMI Computer Software), Comshare of Ann Arbor, Michigan and Planning Sciences of London. IBM has also announced that it is developing its own EIS.

For those companies, a new approach is needed in software writing. EISs challenge the conventional method, where a specification is agreed and then the software is cast in stone. Most successful implementations of EISs have come where a small-scale pilot, based on ideas put forward by the users, have been installed and then continuously updated – a sort of perpetual prototype.

Central to the success at ICI, reports Lang, has been in ensuring that the information on the system is what the executives need. "They are just too busy to use the system if the information is not relevant."

Meiklejohn warns that the growing trend towards information technology departments specifying the EIS systems – rather than the executives providing the impetus – is likely to reduce the relevance of the information. "If that happens EISs could end up as just very expensive paperweights."

Early warning predictions that can save the day

A devastating series of storms, floods and other natural disasters striking several poor countries has led to two projects for the deployment of early warning techniques.

One is a programme by the Commonwealth Science Council which will study disaster prevention and management. It will focus the work of many technology research establishments, universities and government departments around the world. The project's aim is to exploit the development of telecommunications to make the world safe from the devastating effects of storms and floods.

The programme will help Commonwealth countries deal with disasters. It will focus on large-scale transport and industrial accidents as well as floods, hurricanes, landslides, earthquakes and drought. Currently, satellites passing above the Himalayas can determine the depth of snow cover and thereby predict the eventual run-off. Technologists will soon interpret such routine satellite readings to give early warning of impending disaster in the densely populated, flood-prone Ganges Delta below.

As a first step, the programme will provide an information base on the vulnerabilities and needs of high-risk areas. There are also plans for a handbook on disaster prevention and management intended for public administrators in transport, health, welfare, education and training, as well as research institutions and voluntary organisations.

The London-based Commonwealth Secretariat describes the programme as a response to "a series of horrifying disasters during the past few months." According to a spokesman: "Bangladesh experienced the worst floods in its history, and the Caribbean and Central America suffered their worst hurricanes this century. Lesotho was cut off by snow."

The second project, a study by the United Nations, was announced after some 17 professional groups, including the Royal Society of Canada and the Science Council of Japan, called for a co-ordinated world-wide research and training programme to combat natural disasters. Their case was supported by many organisations such as the International Council of Scientific Unions, the International Union of Geological Sciences and the International Association of Earthquake Engineering.

The United Nations has designated the 1990s as the international decade to combat natural disasters. Cyclones, floods, earthquakes, volcanic eruptions and other natural disasters have claimed millions of lives and caused an estimated $100bn in damage to property since the late 1960s.

According to the United Nations Centre for Science and Technology in New York: "The world community has learned a lot about climatic and other forecasting. A global focus on measures to predict, if not prevent, dramatic natural phenomena is long overdue.

"Remote sensing offers the first and vital early warning. Food control technologies, safer building techniques and land surveying give planners the option to resettle populations in less vulnerable areas.

"Land-based and airborne instrumentation can pick up the warning signs with great accuracy. Communications technology and micro-computers have been scaled to such convenient size and cost that it is almost criminal to leave poor and vulnerable populations defenceless in the face of predictable disasters.

"And if humanitarian concerns will not suffice, then the cold hard cost of cleaning up after floods, earthquakes and tidal waves should convince politicians at home and in donor capitals that a satellite dish antenna and a small computer in high-risk communities would be cheap insurance."

Both programmes will explore a range of recent developments in relatively inexpensive areas such as electronic navigation, communication and detection channels. Other areas under study are disaster preparedness, risk assessment, planned responses to emergencies and disaster mitigation.

Thomas Land

TECHNOLOGY MARKET

COMMODITIES AND AGRICULTURE

Go-ahead for pipeline to carry Canadian gas south

By Robert Gibbens in Montreal

THE NATIONAL Energy Board has decided to allow the construction of a pipeline to connect the natural gas reserves of Canada's Mackenzie Delta to markets in the south within the next decade.

The reserves were found in the late 1960s and early 1970s, but have remained locked in by a 12-year-old moratorium on any transmission system through the Mackenzie Valley to northern Alberta, and opposition from the native peoples of the North-West Territories.

The NEB awarded licences to Esso Resources Canada (Exxon), Gulf Canada Resources and Shell Canada to export 9.2 trillion (million million) cubic feet of gas from 1996 over the next 20 years.

This amount represents 85 per cent of the Delta's presently proven reserves. In current dollars it will cost C$11bn (£5.9bn) or more to develop the reserves and transport them by pipeline to the US. Four US utilities are committed to take most of the gas, and two Ontario distributors are ready to negotiate for smaller quantities.

The NEB, which must provide "reasonable" supplies for Canada in the future, decided that the exports to the US would be of net benefit to the country. More reserves exist in the Delta and Beaufort Sea immediately north, and huge amounts of gas have been identified in the Arctic islands over the past 15 years.

Two routes have been suggested for the pipeline – one using the Mackenzie Valley to link with Alberta and the other running alongside the Dempster Highway from Inuvik in the Delta and linking with the northern British Columbia transmission system.

The Dene Indians, who with southern environmentalists successfully blocked the pipeline 12 years ago, want their land claims settled before finally accepting a Mackenzie Valley route. The Inuit Eskimos have always been less opposed to energy development.

However the Dene may still fight to delay any pipeline while their land claims remain unsettled with the Federal Government.

Canada already ships more than one third of its gas supply, mainly from reserves in Alberta and northern British Columbia, to the US market. The American "gas bubble" of the eighties is now declining and prices are rising.

Australian wheat crop forecast cut sharply

By Chris Sherwell in Sydney

THE DAMAGING combination of a wet winter followed by a dry spring has prompted a sharp downward revision in forecasts of Australia's wheat crop for 1989-90.

According to estimates released yesterday by the Government's Australian Bureau of Agricultural and Resource Economics, the crop this season will be 12.5m tonnes, down from the 14.4m tonne level forecast as recently as last month and an even higher April estimate of 15m tonnes.

Unless prices rise significantly, the revision means lower export earnings from wheat, Australia's most important rural export after wool and meat. Last season's production was 14.1m tonnes, and usually around three-quarters is exported.

The problem this season has been persistent wet weather during the winter months, which delayed wheat plantings, followed by a lengthy period of hot and dry weather which is reducing prospective yields.

"Yield reductions were particularly severe in northern New South Wales and southern Queensland, where large areas of wheat and barley had been late sown and were vulnerable to a dry spell," the Bureau's report said.

New South Wales is now expected to produce the smallest wheat crop since the 1982-83 drought, about 2.6m tonnes. By contrast, South Australia, where above average yields are still anticipated, is expected to harvest its biggest crop in seven years.

The news coincides with a disappointing downturn for wool, where a combination of record production and weak foreign demand has driven prices to the intervention level of the Australian Wool Corporation, which is buying up some 50 per cent of output.

Reduced export earnings from both commodities will add to pressure on Australia's chronically weak balance of payments. The current account deficit is heading for record levels in 1989-90 because of strong domestic demand for imported investment and consumption goods.

Zinc and lead supplies expected to be in balance during 1990

By Kenneth Gooding

SUPPLY AND demand for both lead and zinc should be roughly in balance in 1990, says the International Lead and Zinc Study Group.

It now expects zinc consumption this year to total about 5.36m tonnes, a rise of nearly 2 per cent on last year's level. Most of the extra growth is from Latin America and Asia.

This year's zinc production has been hampered by industrial disputes and technical difficulties and is now expected to reach 5.31m tonnes, up 1 per cent on 1988.

As trade in zinc with the socialist countries seems likely to be similar to that in 1988, demand for zinc is expected to exceed production for the second successive year, the study group points out.

Preliminary forecasts for 1990 suggest a further rise in zinc consumption of more than 2 per cent compared with the forecast for 1989, with strong growth coming from Brazil and in Asia, particularly from Korea.

Zinc output next year is predicted to increase by 3.2 per cent to 5.48m tonnes but, the study group points out, "this will be subject to any prolonged interruptions in output in producing countries, especially in North America, where new labour contracts at a number of major mines and smelters will require negotiations during the year."

A substantial rise in mine output of zinc can be expected next year from new mines such as Red Dog in Canada. The study group expects mine output to climb by 500,000 tonnes to 5.73m tonnes unless there are delays in bringing the new capacity into full operation.

Lead consumption this year is now forecast to total 4.45m tonnes, up 2 per cent on the 1988 level. Production is expected to show a 1 per cent increase to 4.48m tonnes, with higher output in Europe and the US largely offsetting a decrease in Canada.

The study group adds: "A continuing increase in (lead) consumption is forecast in Latin America and Asia during 1990, with levels in Europe and North America remaining stable. Metal production is projected to rise more strongly to give a close balance between supply and demand.

Mine production is also expected to increase substantially as new capacity comes into operation in North America and Australia, reversing the decline during 1988-89."

Peru copper project tender fails to find bids

PLANS TO develop Peru's Cerro Verde II copper deposit have stalled after an international tender failed to attract bids from financially qualified firms, Minero Peru, the state mining company said yesterday, Reuter reports from Lima.

The tender, called on July 21, was declared deserted last month, and Minero Peru is now seeking to reach a contract directly with one or more private companies to develop the deposit in the south of the Arequipa department. The project calls for an investment of about US$50m (£31bn).

"Everything is back to zero again," said Ms Lucia Runco, Minero Peru's spokeswoman.

"The firms that offered bids did not offer sufficient financial backing," said Ms Runco.

Industry officials said the only firm that showed serious interest in Cerro Verde II was the Brazilian construction firm Norberto Oderbrecht. Ms Runco said Minero Peru would maintain contacts with the Sao Paulo-based firm and others with an eye towards eventually signing a direct contract.

Peru's mining industry has been severely troubled by industrial unrest and guerrilla activity over the past few years.

In 1988, two national strikes cost 87 day's production and the miners were still not satisfied with the outcome. At the same time, mining operations have frequently been disrupted by the activities of the so-called Shining Path guerrilla group.

Uranium resources 'adequate until well into next century'

By Kenneth Gooding, Mining Correspondent

THE POTENTIAL supply of uranium should satisfy expected demand at least until the year 2005, according to the Uranium Institute.

It also says in its latest report that known uranium resources exist in sufficient quantities to provide the fuel needed to keep current and future nuclear power programmes running well into the next century.

"The supply situation becomes more complicated when trying to be more specific and predict when and from where these resources will be made available to consumers," the report adds.

"However, history shows that producers have been consistently responsive to demand when economic factors provided sufficient incentives for uranium projects to be compared favourably with other investment choices."

The report – Uranium market issues 1989-2005 – was produced by the institute's supply and demand committee, which includes representatives from 43 companies spread over the entire spectrum of the nuclear fuel cycle, from electrical utilities, mining companies, fuel processors and traders drawn from 19 countries. The institute claims that, as a result, the report "uniquely reflects the views of the market's participants."

Uranium demand ultimately depends on nuclear generating capacity in what the report describes as "the world's 25 uranium market countries." The institute predicts this demand will grow by 31 per cent by the year 2005 to reach about 347 gigawatts (thousand megawatts).

"This forecast is considered reliable because 91.7 per cent of the units were either operating, under construction or firmly planned at the end of 1988," it adds.

The institute analyses demand for uranium using two methods. One shows that requirements could grow by about 32 per cent from about 42,000 tonnes in 1989 to 56,000 tonnes in the year 2005. The other takes into account inventories and suggests procurements will increase by about 47 per cent from 37,000 tonnes to 54,000 tonnes over the period.

Supply of uranium is forecast to increase from 49,000 tonnes to about 57,000 tonnes in the mid-1990s and then fall to 52,000 tonnes in 2005. Stocks will certainly fill some of the expected shortfall between supply and demand.

The institute says that the uncertainties the nuclear industry faced in the 1980s will diminish in the 1990s, "although they will undoubtedly be replaced by new ones." Nevertheless, "more accurate forecasts of demand for fresh uranium will likely be possible, which could lead to the development of new supply capacity at a pace which more closely matches demand."

Uranium market issues 1989-2005, £12.50 or $22 plus postage from the Uranium Institute, 68 Knightsbridge, London SW1X 7LT.

Aluminium output 'on target'

By Kenneth Gooding

NO CUTBACKS in primary aluminium production are needed even though a small supply surplus of the metal is now appearing, according to the Anthony Bird consultancy group.

"The extra metal can be used to increase the safety margin in the supply system against future shortages," it says in its latest Aluminium Analysis.

Bird suggests that primary aluminium consumption will rise in 1990 by 2.2 per cent from the forecast 14.4m tonnes this year to 14.7m tonnes. Production will lag behind with a 1.3 per cent rise from 14.1m tonnes to 14.4m tonnes.

Primary aluminium capacity utilisation will remain above 98 per cent in both 1990 and 1991 compared with 97.6 per cent this year.

The dangerous period for aluminium has now passed, according to Bird, and the metal's competitive position compared with copper, steel and plastics is now better than at any time in the past four years.

"Even so, we think that the high prices of early 1988 will make consumers suspicious of aluminium for some time; they will exert a hangover effect on demand. Thus . . . aluminium consumption will continue to rise but at a slower rate than economic activity."

Bird warns that the investment plans of the aluminium companies seem inadequate when set against likely growth in demand and suggests that the supply/demand balance could be tightening by 1992.

Production costs, which have risen strongly in the past two years, are set to fall in the early months of 1990, Bird says.

Primary aluminium prices are now "very close to the level which we think is justified," Bird adds. "The economics of building a new smelter call for a price at today's exchange rates of just under 76 US cents a lb. We think prices in the short term are unlikely to fall significantly lower than about 74 cents (on a Metals Week basis) for any length of time."

Bird points out, however, the 76-cent benchmark is very sensitive to possible exchange rate movements, particularly to a fall in the US dollar.

"Aluminium Analysis Quarterly" £395 a year from Anthony Bird Associates, 193 Richmond Road, Kingston-upon-Thames, Surrey KT2 5DD, England.

Aluminium Supply (million tonnes)		
	Production	Consumption
1991*	14.54	15.17
1990*	14.36	14.71
1989*	14.11	14.39
1988	13.54	13.92

* forecast
Source: Anthony Bird Associates

Breakthrough in hybrid seed making claimed

By Tim Dickson in Brussels

PLANT Genetic Systems, a biotechnology company based in Ghent, Belgium, yesterday claimed to have developed a novel system of producing hybrid seeds, which could bring "significant benefits" to the multi billion dollar seed industry.

Hybrid seeds are derived from male and female plants and are used by farmers to obtain yield stability and crops that are more vigorous and tolerant to pests and disease.

The company says it has applied its new system in oil-seed rape and that it is currently applying it in a number of other cash crops. "Our discovery not only represents a major technological breakthrough, it gives breeders great flexibility to create new hybrid varieties," Dr Michel Renard, PGS research director said last night.

New ideas on EC 'overproduction tax'

By Tim Dickson in Brussels

NEW IDEAS on how to implement the EC's additional cereals co-responsibility levy – the tax on overproduction which is triggered if the Community harvest exceeds 160m tonnes – were aired at a meeting of EC Agriculture Ministers in Luxembourg yesterday.

The problem arises from the fact that the levy - on top of the basic 3 per cent tax - has to be paid "up front" by farmers under the current rules of the regime and is thereafter either wholly or partly reimbursed once the official harvest figure is agreed.

Conscious that this creates cash flow difficulties for producers, the Commission has proposed that two estimates of the EC's cereals harvest should be made – the first to determine whether the 160m tonne threshold will be breached, the other to act as the final yardstick on which the payment should be based.

Greece, with support from others member states, yesterday put forward an alternative whereby only 1.5 per cent of the additional co-responsibility levy would be paid after the first estimate (assuming it was high) with the balance to be made up if appropriate after the later second figure.

Mr John Gummer, the UK Farm Minister, broadly supported this approach and said its introduction was a condition of Britain accepting the Commission's proposal to waive the 0.5 per cent additional co-responsibility levy normally triggered by this year's estimated cereals production.

The discussion on what to do about veterinary controls once EC borders disappear was inconclusive and will be referred back to Community ambassadors for further negotiation.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,780-1,830 (1,800-1,850).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.50-4.80 (4.65-4.95).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.30-5.70 (5.40-5.85).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.45-7.65 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 230-240 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.15-3.22 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.60-5.90 (5.50-5.90).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 46-61 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 3.65-3.90 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.60 (same).

Rubber futures

THE LONDON Futures and Options Exchange expects to launch its long-awaited rubber contract on January 10, Mr David Landais, the project manager, said yesterday. The contract is to be traded automatically on-screen, as is the active white sugar contract.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices slid further on the London Metal Exchange yesterday as the easing of supply fears drove more speculators out of the New York market. The three months LME price touched a 10-week low of £1,674 a tonne at one point before steadying to close £51.50 down on the day at £1,687.50 a tonne. The copper sell-off spilled over into the zinc market, where prices dipped to the lowest level for four months, retesting a support level last challenged in mid-June. The premium for special high grade metal was more or less wiped out in the cash position, the SHG cash price falling $72 to $1,518.50 a tonne while the high grade price declined a relatively modest $28 to $1,517 a tonne. The SHG cash price also lost its premium against metal for delivery in three months, which had stood at $10 as at Monday's close.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.80-5.90w	-0.15
Brent Blend	$18.80-8.85q	-.125
W.T.I. (1 pm est)	$19.70-9.75w	-0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$192-195	-8½
Gas Oil	$182-183	
Heavy Fuel Oil	$100-101	-½
Naphtha	$154-156	+½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.25	+2.25
Silver (per troy oz)♣	513c	+4
Platinum (per troy oz)	$481.2	+2.2
Palladium (per troy oz)	$136.9	+0.5
Aluminium (free market)	$1825	-25
Copper (US Producer)	133⅝-140c	+½
Lead (US Producer)	40.5c	
Nickel (free market)	480c	-5
Tin (Kuala Lumpur market)	20.37r	-0.05
Tin (New York)	357.5c	-1
Zinc (US Prime Western)	80¼c	-⅛
Cattle (live weight)†	112.30p	-0.26*
Sheep (dead weight)†	157.49p	-2.38*
Pigs (live weight)†	98.92p	-0.24*
London daily sugar (raw)	$347.0v	-3.4
London daily sugar (white)	$388v	-4
Tate and Lyle export price	£332.0	-8.5
Barley (English feed)	£112q	
Maize (US No. 3 yellow)	£124.75	+0.25
Wheat (US Dark Northern)	£122.25	-0.50
Rubber (spot)♥	55.5p	
Rubber (Nov)♥	57.75p	-0.50
Rubber (Dec)♥	58.75p	-0.50
Rubber (KL RSS No 1 Nov)	225.5m	-1.5
Coconut oil (Philippines)§	$477.5y	-2.5
Palm Oil (Malaysian)§	$317.5q	
Copra (Philippines)§	$310q	
Soyabeans (US)	£157q	-1
Cotton "A" index	81.75c	
Wooltops (64s Super)	568p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Jan/Mar. v-Nov/Dec. w-Dec. q-Nov. z-Jan/Feb†Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

[illegible]

COFFEE – London FOX £/tonne

[illegible]

SUGAR – London FOX ($ per tonne)

[illegible]

CRUDE OIL – IPE $/barrel

[illegible]

GAS OIL – IPE $/tonne

[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

[illegible]

LME Closing £/$ rate: SPOT: 1.6040 3 months: 1.5793 6 months: 1.5586 9 months: 1.5399

POTATOES – IPE £/tonne

[illegible]

SOYABEAN MEAL – IPE £/tonne

[illegible]

FREIGHT FUTURES – IPE $10/index point

[illegible]

GRAINS – IPE £/tonne

[illegible]

PIGS – IPE (Cash Settlement) p/kg

[illegible]

COTTON

Liverpool- Spot and shipment sales for the week ended October 20 amounted to 1,198 tonnes against 357 tonnes in the previous week. Moderate trading occurred with interest in Israeli, American, West African and Pakistan growths.

JUTE

C and I Dundee BTC $505, BWC $505, BTD $490, BWD $490; c and f Antwerp BTC $475, BWC $475, BTD $445, BWD $465.

LONDON BULLION MARKET

[illegible]

TRADED OPTIONS

[illegible]

US MARKETS

IN THE METALS, gold, silver and platinum all rose reflecting the lower stocks and US dollar, reports Drexel Burnham Lambert. Gold posted the biggest advance gaining 3.20 basis December. Copper prices sank again with fund liquidation and stop-loss selling featured. December copper lost 450. In the softs, cocoa futures had the most active session. Heavy origin and commission activity were seen. Coffee and sugar closed higher after local participation. The grains were all slow. The soy complex had some spreading while corn and wheat closed nearly unchanged. The livestocks had higher belly prices as good movement out of storage was noted. Hog and cattle futures slipped from scattered profit taking. The energy complex eased but light volume prevented heavy declines from occuring.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	370.2	367.0	368.5	367.2
Nov	371.6	368.4	0	0
Dec	373.4	370.2	373.5	370.2
Feb	377.4	374.2	377.6	374.2
Apr	381.5	378.3	381.0	378.0
Jun	385.7	382.5	385.8	384.1
Aug	389.7	386.5	388.3	388.1
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

[illegible]

SILVER 5,000 troy oz; cents/troy oz.

[illegible]

COPPER 25,000 lbs; cents/lbs

[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

DOW JONES (Base: Dec. 31 1974 = 100)

[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

[illegible]

HEATING OIL 42,000 US galls, cents/US galls

[illegible]

COCOA 10 tonnes;$/tonnes

[illegible]

COFFEE "C" 37,500lbs; cents/lbs

[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

[illegible]

COTTON 50,000; cents/lbs

[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]

SOYABEAN MEAL 100 tons; $/ton

[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

[illegible]

LIVE HOGS 30,000 lb; cents/lbs

[illegible]

PORK BELLIES 40,000 lbs; cents/lb

[illegible]

LONDON STOCK EXCHANGE

US tremors undermine UK equities

THE FRAGILE confidence of the London stock market crumbled yesterday afternoon when New York stocks suffered a renewed setback in early trading. Shares were marked down heavily in London with market makers generally moving ahead of would-be sellers. Equities closed with a loss of 40 FT-SE points or 1.8 per cent and with little sign of recovery.

The fall in the UK market was the more discouraging in that prices had earlier softened only slightly despite a cautious reception for the latest UK trade figures and a gloomy report on industrial trends from the Confederation of British Industries (CBI).

Account Dealing Dates		
*First Dealings:		
Oct 16	Oct 30	Nov 13
Option Declarations:		
Oct 26	Nov 9	Nov 23
Last Dealings:		
Oct 27	Nov 10	Nov 24
Account Day:		
Nov 6	Nov 20	Dec 4

*New time dealings may take place from 9.00 am two business days earlier

Turnover was very thin for most of the session, but it increased somewhat in the final hour as prices abandoned an attempted rally and returned virtually to the day's lows. The UK market followed New York slavishly during the second half of the session, demonstrating once again London's general vulnerability to Wall Street.

The UK market was led by the FT-SE futures sector, rallying quickly at one time, only to lose heart again in late trading when the London futures market closed for the day.

At the close, the FT-SE Index was 40.4 down at 2,149.3, not far above the 2,135.5 close recorded last Tuesday on the second day of what has already been labelled the mini-Crash. Seaq volume, at only 350m shares by mid-afternoon, showed a final total of 405.2m; an improvement on Monday's 278.9m but still unimpressive.

Earlier, the market had been more than 7 Footsie points ahead as it waited for the UK September trade figures. The £1.64bn deficit, while bad enough, was within market predictions and with the pound steady the stock market reacted calmly to show an immediate fall of 6 points.

"Domestic interest rates now seem to be locked in to 15 per cent until the New Year," said Mr John Reynolds at Prudential-Bache, after reviewing the latest trade data. Market sentiment was also discouraged by the CBI survey which drew attention to concern over industrial investment.

Despite yesterday's gloomy backcloth, UK market strategists remained relatively optimistic. The market is supported both by the substantial liquidity ratios among the institutions – around 5 per cent, according to market strategists – and also a general satisfaction with the current valuation of the equity market, which is perceived to be heading for a year-end yield of around 4.7 per cent.

However, there was considerable disappointment, as well as some apprehension, yesterday at London's apparent inability to resist Wall Street's influence. Many institutional investors are unwilling to buy equities in the current highly volatile market.

FINANCIAL TIMES STOCK INDICES

	Oct 24	Oct 23	Oct 20	Oct 19	Oct 18	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.88	84.86	84.59	84.78	84.86	88.78	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.05	94.05	93.74	93.20	93.40	97.49	99.59 (15/3)	93.20 (19/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1739.3	1772.6	1761.0	1772.1	1758.5	1500.9	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	195.1	196.3	197.3	193.2	190.6	166.5	215.2 (28/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2149.3	2189.7	2179.1	2189.3	2170.1	1847.8	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.75	4.66	4.66	4.63	4.66	4.84				
Earning Yld %(full)	11.42	11.21	11.24	11.15	11.22	11.68				
P/E Ratio(Net)(☆)	10.58	10.78	10.74	10.82	10.78	10.37				
SEAQ Bargains(5pm)	23,239	21,323	19,260	20,915	22,524	23,495				
Equity Turnover(£m)†	-	474.49	711.49	785.00	1047.87	933.44				
Equity Bargains†	-	20,319	19,205	20,703	24,836	23,625				
Shares Traded (ml)†	-	241.7	311.9	333.4	439.7	328.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.49

Ordinary Share Index, Hourly changes — Day's High 1781.8 — Day's Low 1736.9

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1772.2	1779.8	1781.1	1773.8	1769.2	1769.0	1758.6	1738.8

FT-SE, Hourly changes — Day's High 2197.0 — Day's Low 2147.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2187.9	2194.1	2196.6	2188.7	2183.7	2183.7	2172.8	2158.8

GILT EDGED ACTIVITY

Indices*	Oct 23	Oct 20
Gilt Edged Bargains	95.9	98.6
5-Day average	106.5	117.5

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	4,900	142	-3	Courtaulds	1,200	349	+2	LASMO	282	507	-7	Saatchi & Saatchi	434	307	-8
Abbey National	2,100	143	-2	Dalgety	201	367	-15	Lonrho	945	241	-4	Sainsbury	2,300	262	+6
Allied-Lyons	1,400	466	-14	Dixons	2,800	110	-2	Lucas	985	611	-3	Scott & Newcastle	637	359	-10
Amstrad	1,900	49	-1	Eng. China Clays	540	408	-8	M&G Group	1,000	180	-3	Sears	4,900	104½	-3½
Argyll Group	897	222	-1	Enterprise Oil	121	587	-7	MEPC	472	502	-2	Sedgwick	1,900	269	-1
Ass. Brit. Foods	256	377	-6	Fisons	2,600	315	-7	Marks & Spencer	3,900	192½	-1½	Shell Transport	6,900	421	-14
[illegible]				[illegible]				[illegible]				[illegible]			
Brit. Aerospace	392	558	-14	Hanson	7,000	223	-4	[illegible]	457	400	-7	Tate & Lyle	2,000	250	-4
British Airways	1,700	190	-4	Harrisons & Cros.	1,400	151	+2	RMC	153	608	-12	Taylor Woodrow	385	265	-7
British Gas	5,100	196	-5	Hawker Siddeley	366	631	-7	RTZ	1,700	503	-14	Tesco	5,300	189	-5
British Land	105	322	+1	Hillsdown Hldgs.	1,800	273	-4	Racal	2,600	216	-12	Thorn EMI	1,000	734	-11
BP	5,600	294	-5½	ICI	585	214	-2	Rank Org.	671	849	-31	Trafalgar House	2,100	332	-2
British Steel	9,400	124	-1	Imp. Chem.	2,200	1164	-18	Reckitt & Colman	379	1129	-1	Trusthouse Forte	2,400	283	-9
British Telecom	4,600	261	-5	Inchcape	608	257	+6	Redland	528	500	-5	Ultramar	1,400	316	-7
Burmah Oil	856	660	-16	Jaguar	3,300	694	-4	Reed International	1,300	378	-3	Unilever	552	638	-11
Burton	3,700	193	-2	Kingfisher	375	287	-7	Reuters	533	882	-16	United Biscuits	1,800	342	-3
Cable & Wireless	1,600	485	-9	Ladbroke	1,700	278	-6½	Rolls Royce	1,900	185	-3	Utd. Newspapers	653	451	-18
Cadbury Schweppes	3,100	351	-11½	Land Securities	440	504	+1	Rothmans	1,000	664	+5	Wellcome	664	914	-8
Carlton Comms.	334	790	-14	Laporte	140	461	-8	Royal Bk of Scotland	1,300	168	-5	Whitbread "A"	1,000	356	-7
Commercial Union	1,400	444	-2	Legal & General	2,000	356	+2	Royal Insurance	4,000	475	-13	Williams Hldgs.	1,900	234	-2
Cookson	989	308	+5	Lloyds Bank	495	358	-9	STC	2,300	269	-13	Wimpey	411	233	-11

Assurances feature L & G

Life assurances provided some of the market's best performers, with the sector again driven by takeover speculation. Apart from Refuge and Britannic, with talk of French takeover activity, the best performance came from Legal & General (L&G). The shares rose to 364p during the morning, before easing back with the rest of the market to end a busy session a net 3 higher at 357p.

Behind the rise were at least three buy recommendations. Mr Roman Cizdyn, insurance analyst at Smith New Court, said good figures for new business had highlighted the success of Legal's distribution channels. In addition, the raising of unit-linked rates in 1990 would help negate higher commissions paid to agents and independent intermediaries, while the bid for Pearl had highlighted the good value offered by Legal.

The company is BZW's "preferred stock" in the sector. BZW said that Legal's third quarter new business figures were better than expected, reflecting an increasing market share for UK individual life and pensions business.

Finally, Mr Youssef Ziai at UBS Phillips & Drew, said that money coming out of Pearl "will go into Legals; a very liquid stock, with exceptional defensive qualities, good dividend growth prospects in excess of the market average and bid hopes."

Rank action

Rank Organisation, the entertainment and leisure group, was at the centre of attention from analysts and dealers for several only loosely related factors. Top of the list was third-quarter trading report from Xerox of the US, which owns the 51 per cent of Rank Xerox not held by Rank Organisation. The profit figures were slightly disappointing and were blamed by UK marketmakers for the steep fall in Rank Organisation's shares. They fell to 840p at worst but recovered to 849p, a net decline of 31 by the close. Turnover was a firm 671,000.

Analysts, pointing out that the Xerox figures do not bear directly on Rank Organisation's fortunes, scoured the boardroom statement accompanying the figures for clues to the performance of jointly-owned Rank Xerox.

Mr David Ireland, at Hoare Govett, earlier trimmed his forecast for Rank's current year profits from £290m to £285m. He said that certain managed businesses, which include the Odeon cinema chain and Butlins, had not performed as well in the second half as the first. County NatWest WoodMac, however, took the view that Rank is a defensive stock "in that, despite popular belief, a large percentage of its profits are not affected by UK consumer expenditure." County's forecast for the current year is the same as BZW's: £290m.

Jaguar news

The turbulence in the equity market masked a nervous session for Jaguar, as the shares responded to reports from the US market which was itself in the throes of another downturn in early deals.

Jaguar edged up to 700p at first as London traders absorbed the news that Ford Motor had increased its stake to 11.9 per cent of the equity of the UK luxury car maker. The market later reacted with uncertainty to reports that Ford had said in the US that it is prepared to buy the whole of Jaguar if restrictions are removed – traders assumed this referred to the Golden Share in Jaguar held by the British Government until the end of 1990.

By the close, Jaguar had been dragged lower with the rest of the market but at 694p showed a fall of only 4. Turnover was a modest 3.3m shares as London awaited further news from Ford or from General Motors which has held discussions with Jaguar.

The Refuge Assurance/Britannic duo moved up again in the wake of reports of renewed stakebuilding by the French group Athena. Refuge rose 10 to 647p, after a year's high of 650p, while Britannic added 13 at 558p after 560p.

But specialists took the view that the French may have been holding off from buying more Refuge stock over the past couple of sessions. "The price moves so quickly that people are scared of selling the stock in case something happens," said one specialist, adding that there was no real evidence of big stakebuilding so far this week.

London & Manchester, another so-called bid favourite, initially climbed to 323p before settling a shade off at 313p, while Prudential were marginally ahead at 190½p after 195p. Sun Life slipped back 15 to 1153p.

Brokers extended the recent strong showing, which has been based on the prospects of increased insurance rates. CE Heath led the sector yesterday, closing 13 stronger at 488p, while Bradstock added 11 at 209p and Steel Burrill Jones 10 to 248p. There was big two-way business in Willis Faber which settled 3 firmer at 249p after turnover of 3.4m.

The big-four banks fell with the rest of the market with selling building up towards the close. Midland, reflecting its recent outperformance against the other top banks, slipped 12 to 313p in turnover that failed to reach the 1m mark. Barclays, 484p, Lloyds, 358p and NatWest, 294p, were all 9 lower.

Disappointed speculators were persistent sellers of Morgan Grenfell which dropped 19 to 384p after the firm denials by the company of any bid approaches. Kleinwort Benson, where the share buying-in programme ends today, lost 5 to 340p.

The threat of an engineers' strike hurt Rolls-Royce, down 3 at 185p, and British Aerospace, 14 off at 558p.

There was no stopping Kwik-Fit, another 11 ahead, at one point, before closing 7 to the good at 159p. Volume was heavy, with one dealer expecting turnover to be about the same as Monday's 4.7m shares. The buyer was again said to be West German tyre maker Continental, which last week revealed it had built up a 13.13 per cent stake in Kwik-Fit.

A block of 2.4m Ferranti shares was traded at 52p cash just before the close of the market.

T&N benefited from a bullish note from Mr Geoff Allum, analyst at County NatWest WoodMac. T&N is one of County's strongest buys because, said Mr Allum, "it is getting good orders from Europe as a result of investment in R&D and effective cost cutting. They are now considered one of the most efficient car component suppliers in Europe."

The shares have suffered for many years from feared and actual payouts relating to the supply of asbestos in the early 1970s. That, combined with recent market weakness, has left the shares on a p/e of 5.6 and a yield of 9.1 per cent for 1990, according to Mr Allum. His only note of caution is that many of those European orders will start in 1991 and that the company will therefore have to spend heavily next year to prepare the ground. T&N advanced to 195p, helped by a stock shortage, before slipping with the afternoon weakness to close at 191p, a penny better on the day.

The bidder for Ross Catherall revealed itself as Vickers. The two have agreed to an offer of 253p for each Ross Catherall share, with a loan note alternative. Ross ended 37 better at 244p.

Vickers' initially held up well on hopes that Mr Ron Brierley, the New Zealand entrepreneur, who has a 14.6 per cent stake in the company, might launch a bid before Vickers swallowed Ross. But a seller eventually put in an appearance confirming views that, at best, Mr Brierley was not going to act on impulse. Vickers' quickly slid back to 215p, a fall of 18 on the day. "It all depends on what Brierley does now," said a marketmaker.

A buyer of shares in chemicals group Cookson reappeared for the first time since last week's mini-crash, said dealers. They added that a strong titanium dioxide price also helped Cookson defy the market's slide to close 5 better at 308p.

Volumes in oils were again minimal and genuine stories thin on the ground. British Gas were marked down a couple of pence, rallied modestly and dipped again to close 3 off at 196p on good turnover of 5.1m after news that Shell and Esso have launched a new company, Quadrant Gas, to challenge the British Gas monopoly in industrial gas market.

BP fell 5½ to 294p; a large technical position in BP's October stock options expires today and should help the BP share price, dealers said. The market is also looking ahead to BP's third quarter figures due on November 9.

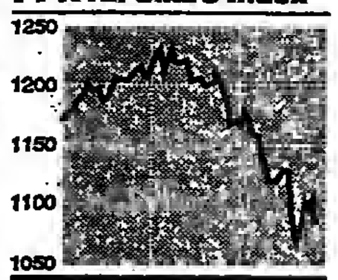
Shell came under strong selling pressure, hit by the steep early fall on Wall Street and also on switching into BP. At the close Shell were 4 down at 421p with busy turnover of 6.1m shares.

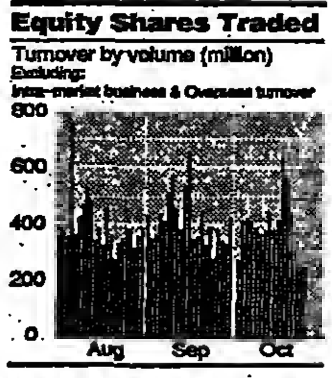
The speculative fervour in Burmah came to a halt, the shares retreating 16 to 660p on turnover of less than 1m; "nobody was willing to stay on the bid for any length of time and the profit-takers moved in," noted one trader. Calor, additionally unsettled by a Hoare Govett sell note, dropped 14 to 430p. Premier fell 6 to 102p.

The property sector remained thinly traded as investors continued to worry about the impact of high interest rates. However, prices were supported by a shortage of stock. Land Securities rose a penny to 504p, while MEPC fell 2 to 502p.

Wolseley, the building materials and plumbing supplies group, added 5 at 270p, after revealing preliminary profits at the top end of expectations: £120.2m, against last time's £97.6m. "Excellent figures from an excellent company," said an analyst.

Hewden Stuart, the Glasgow-based plant hire company, lost 5 to 110p, on talk that a near 5 per cent stake in the company was placed in the market on Monday when around 17m shares were thought to have been traded.





Sainsbury bucked the downward market trend, rising 6 to 262p on a stock squeeze and bullish sentiment towards the company's growth prospects.

Asda held steady after Monday's late news that the Belzberg brothers, the Canadian arbitrageurs, had raised their stake to over 5 per cent. It closed down 2 at 143p.

Cadbury Schwappes was depressed by news that Lion Nathan, the New Zealand-based brewer, will buy the franchise to bottle, distribute and market Pepsi-Cola's soft drink products in Australia. Cadbury's currently holds the Pepsi franchise but it expires at the end of this year. Mr Richard Workman of Hoare Govett said: "Short-term the deal will be painful and will cost Cadbury's up to £5m. But over the longer-term it will open up the possibility of it doing business with other soft drinks companies." The shares closed down 11½ at 351p.

Euro Disneyland, already called "Eurodiz" by dealers, made its debut on the London market, trading in a when-issued form. The price shot up to 887p, 180 above the issue price. Although dealers noted significant volume of business, they said institutions were hardly involved and that most of the trade was with brokers. The shares closed at 814p.

A buy order from a UK institution was said to have been behind Courtaulds rise against the market trend. The shares touched 354p before closing 2 better at 349p. One dealer said that the buying order had "probably been completed."

Overseas buying of Burton, in the face of recent UK analysts' downgradings, almost matched domestic selling but mystified dealers. Volume swelled to 3.7m shares as the price slipped 2 to 193p.

The electronics/telecoms leaders showed a long list of minus signs with volume lagging behind recent levels. Ferranti attracted turnover of 8.7m but the shares fell to close a net 4 lower at 53p after the start-up of the group's Zonephone service in London. British Telecom lost 5 to 261p and Racal Telecom 13 to 329p. GEC dropped 9¼ to 216½p and STC 13 to 269p.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 24

NEW HIGHS AND LOWS FOR 1989

[illegible]

APPOINTMENTS

New chief for Sheppards Moneybrokers

■ Mr T.S. Hibbitt will be appointed vice chairman and chief executive of SHEPPARDS MONEYBROKERS on November 1. He succeeds Mr P.G.B. Wills who is retiring as a director, but will remain a consultant. On the same date, Mr David Hopton will join the company as a director. He is currently with the Bank of England, where he has recently been working in the personnel division. Mrs Susan Donovan and Mr Andrew Stuart have become associate directors.

■ W.E. BAXTER has appointed Mr David Cook and Mr Peter Cottrell as directors responsible for sales and marketing.

■ SMILEBERRY, Horsham, has appointed Mr John Parker as contracts director, and Mr Terry Bradley as commercial director.

■ Mr John Rudgard, group managing director, H.P. Bulmer Holdings, has been appointed chairman of the NATIONAL ASSOCIATION OF CIDERMAKERS.

■ Mr Stephen J. Kemp has been appointed finance director at A. & G. SECURITY ELECTRONICS, part of the Halma Group. He was product accounting manager at B.S. Components.

At CONTINENTAL BANK Mr Michael Portington (above) has been appointed managing director, risk management marketing. He will be based at Continental's London office and will assume responsibility for all financial risk management marketing activity outside North America. Mr Portington joins from Bankers Trust where he directed a unit responsible for marketing hedging products to US corporations.

■ THE ROYAL LONDON MUTUAL INSURANCE SOCIETY has appointed Mr T.W. Slee, finance director, Costain Group, as a non-executive director. Mr M.J. Yardley, investment manager, becomes a director, and Mr C.M. Wigmore retires from the board on December 31.

■ Mr John Parrott has been appointed head of research at COMMERCIAL UNION ASSET MANAGEMENT. He was with Prudential Portfolio Managers.

■ ECONOMIC FORESTRY GROUP has appointed Mr Mervyn Keene as divisional general manager of its garden leisure products division. He joins from the Palmer Group where he was group finance director with specific responsibilities for its peat and compost division acquired by EFG earlier this year.

■ BANK JULIUS BAER, London branch, has appointed Mr John Baker as senior vice president, treasury and foreign exchange. He was chief dealer at the bank's New York branch.

■ Mr Ralph Roseman has been appointed managing director of PROVIDENCE CAPITOL. He was general manager (services) of the parent company, Old Mutual, Cape Town. He succeeds Mr Garth Griffin, who is returning to Cape Town.

■ Mr Stephen Rowlinson has been appointed chief executive of KORN/FERRY INTERNATIONAL. He was chief executive of Korn/Ferry International.

■ Mr Jeffrey Marston has been appointed managing director of the safety and survival equipment division of WARDLE STOREYS. He was with Meggitt Aerospace, where he was managing director of Avica Equipment and was also responsible for Asdor Engineering Products, Avica Special Products, and Bestobell Aviation. Mr Geoff Hudson, who was managing director of the safety division, will revert to corporate development director.

■ HERITAGE has appointed Mr Mark Hillson as group finance director. He joined the company last June from the Vygon Group, and succeeds Mr Gary Morley who is leaving.

■ Mr Barry Lowry has been made assistant managing director of GENERAL SURETY & GUARANTEE CO. He was previously with the Sedgwick Group.

Mr Peter Costain (above) has been appointed a member of the board of AMP (UNITED KINGDOM). He is group chief executive of Costain Group.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	55.08	55.08	56.91	-0.72	4.65
Gilts & Fixed Inc	6	109.0	109.0xd	116.0	+0.40	8.62
High Inc Equity	6	127.9	127.9xd	136.8	+0.50	4.64
Worldwide Bond	6	203.9	203.9	216.8	-1.20	4.89
Capital Growth						
American Growth	6	198.7	201.5	214.2	-3.20	.89
Asian Pacific	6	113.80	116.3	123.8	-0.50	1.05
Assets & Earnings	6	151.1	151.1	161.7	+0.60	2.29
Capital Reserve Acc	0	87.61	87.61	87.70	+0.23	4.56
Capital Reserve Inc	0	77.78	77.78	77.85	+0.21	5.14
Cmdty & Energy	6	107.2	107.2xd	114.7	-1.40	1.66
1992 Enterprise	6	57.89	57.89	61.92	+0.15	2.07
Euro Capital Acc	6	95.38	96.44	102.6	....	0.73
Euro Capital Inc	6	91.97	93.03	96.97	+0.05	0.76
General	6	170.9	170.4	182.3	+0.10	2.74
International	6	55.25	56.10	59.69	+0.06	0.84
Japan	6	122.7	124.1xd	132.1	-0.20	0.00
Mastertrust	6	90.21	90.21	96.49	-0.27	1.76
UK Growth Acc	6	181.1	181.1xd	193.7	+0.60	2.45
UK Growth Dist	6	119.6	119.6xd	128.0	+0.50	2.19
US Emerging Cos	6	54.93	56.65xd	60.27	-0.29	0.00
Income & Growth	6	291.9	299.4	318.6	+0.60	3.22
Ethical	6	45.34	45.34	48.50	+0.21	2.06
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	53.17	33.17	35.41	-0.48	2.79
European	5¼	73.98	75.98	78.98	-0.16	0.00
European Income	5¼	71.00	71.00	75.79	+0.09	2.42
Exempt	1	754.5	754.5xd	784.7	+1.60	1.92
Extra Income	5¼	42.37	42.37xd	45.24	+0.24	4.57
F East Emerg Ecos	5¼	57.86	58.00	62.12	-0.26	0.29
Fund Inv Tst	5	123.8	125.5xd	133.9	+0.21	1.96
Do Accum	5	192.7	193.4xd	208.6	+0.30	1.98
Gilt & Fixed Inc	5¼	20.70	21.40xd	22.91	+0.02	10.46
Income & Growth	5¼	67.86	67.86xd	72.44	+0.07	4.03
Intl Income	5¼	64.64	64.64xd	69.00	-0.44	4.85
Japan	5¼	215.5	215.5	230.0	-0.40	0.00
Pacific	5¼	438.8	438.8	459.3	-1.30	0.25

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd—Contd.						
International	5	118.5	118.5	125.3	-0.8	4.08
(Accum Units)	5	163.0	163.8	172.4	-1.1	4.08
Smaller Co's	5	103.1	103.1	109.0	+0.2	2.23
(Accum Units)	5	113.5	113.3	119.0	+0.2	2.23
Iar Portfolio	2½	51.87	53.76	55.42	+0.06	3.87
(Accum Units)	2½	53.84	56.00	57.53	+0.06	3.87
High Income Port	3	46.55	46.91	48.61	+0.25	6.29
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL. 01-480 7216						
Sh Dai Gilt & FI	1¼	54.55	54.59	55.33	+0.82	2.85
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
F & B Sal Intl Gwth	5½	50.67	50.67	54.58	-0.17	1.37
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	52.46	52.46	57.28	-0.28	2.23
Global Tst	5½	45.94	45.94	49.75	-0.23	2.09
Recovery Tst	5½	47.10	47.10	52.62	-0.10	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	107.2	108.7	114.7	-0.3	4.21
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061 837 5060						
UK Growth	6	96.83	98.41	104.7	+0.4	2.45
UK Income	6	96.51	98.13	104.4	+0.5	5.47
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	64.12	64.12	68.21	-1.17	1.29
CS International	5	00.04	00.04xd	61.87	-0.47	1.64
CS Japan	5	152.5	152.5	162.2	-2.0	0.20
CS Portfolio Inc ◆	5	00.99	68.99	73.39	-0.05	2.57
Canada Life Unit Tst Mgrs Ltd (1200)F						
High St, Potters Bar, Herts, EN6 5BA 0707 51122						
Can Gen Dist	5	141.3	144.1	151.7	-0.10	3.05
Do Gen Accum	5	238.7	243.4	256.3	-0.20	3.00
Do Income Dist	5	91.39	93.81xd	98.75	+0.04	5.70
Do Inc Accum	5	215.6	221.1	232.8	+0.10	5.70
Gilt & Fxd Inc	5	36.11	36.20	38.10	+0.10	8.42
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						
Growth	5¾	37.14	37.34	39.94	-0.19	2.55
Income	5¾	46.24	46.79	50.04	-0.42	4.13
Far East ◆	5¾	40.50	41.26	43.89	-0.14	0.05
North American ◆	5¾	41.39	41.80	44.71	-0.30	1.61
Global ◆	5¾	56.82	57.83	61.92	-0.34	1.99

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set, unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ● - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ◆ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1951						
Australasian Gold	5	15.29	15.69	16.09	-0.35	0.00
Pacific Basin	5	30.43	30.43	32.37	-0.08	0.60
Can Balncd Gwth ‡	5	50.87	50.87	54.11	-0.08	0.10
Gilt Inc ‡	4	0.9747	0.9747	1.0133	-0.27	7.69
Penny Share	5¼	28.25	28.25	30.05	-0.17	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	132.4	135.9xd	142.5	-0.4	5.03
Wellington Growth	5¼	216.6	218.5xd	232.5	-1.5	1.34
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Grth	4½	105.4	109.2	115.7	-0.6	3.06
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger 4 F	2¼	60.03	60.03	61.58	-0.22	0.27
Short Dtd Gilt ‡F	1¼	81.30	81.50	82.60	+0.08	6.84
U S Govnt Bond ‡F	1¼	6.5751	.5751	.5827	+0.002	0.00
Willbro Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Frlars W'wide	5	187.7	190.7	202.8		2.40
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	58.15	61.41	65.32	-0.09	7.24
European	5	76.18	76.57	81.45	+2.16	0.10
Far Eastern	5	63.53	67.54	71.85	-1.49	0.61
Growth Inc	5	77.30	80.70xd	85.85	-0.35	1.57
Growth Acc	5	77.38	80.77xd	85.92	-0.36	1.57
Income Inc	5	74.29	76.81xd	81.71	-0.29	5.20
Income Acc	5	74.39	76.91xd	81.82	-0.29	5.19
Property Share	5	48.07	48.07	51.24	-0.08	1.11
Smaller Co's	5	49.36	49.36xd	52.61	-0.48	1.80
Nth American	5	63.45	63.45	67.85	-0.20	1.62
International	5	50.16	50.16	55.64	+0.79	1.39
Asset Value	5	155.52	155.52	164.32	+0.46	4.43
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 6592						
Intl Growth	5	109.58	109.58	115.05		4.06
UK Growth	5	90.01	90.01	94.74		3.17
UK Income	5	93.33	93.33	98.24		4.56

Weekly dealing day Tuesday

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	122.0	129.0	-3.0	-
Building Soc. FO	176.8	186.0	...	-
Balanced	277.0	292.0	-2.0	-
European	187.0	197.0	-2.0	-
GT Managed	187.0	197.0	.....	-
Gartmore Mngd	127.0	134.0	.....	-
German	143.0	151.8	-1.0	-
Gilt	175.0	185.0	-1.0	-
Global	49.0	52.0	...	-
High Inc.	108.0	114.0	...	-
International Equity	193.0	204.0	-2.0	-
Japan	271.0	286.0	-1.0	-
Managed	57.0	60.0	.....	-
Property	294.0	310.0	.....	-
B. W. Imperial Gold	148.0	156.0	.....	-
UK Equity	321.0	338.0	-1.0	-
Pension Funds				
American	155.8	164.0	.....	-
Building Soc. Fd.	179.0	189.0	.....	-
Balanced	218.0	230.0	.....	-
European	191.0	202.0	.....	-
German	126.0	133.0	.....	-
Gilt	153.0	162.0	.....	-
International Equity	143.0	151.0	.....	-
Japan	148.0	156.0	.....	-
Managed	62.0	66.0	.....	-
Property	225.0	237.0	.....	-
UK Equity	306.0	323.0	.....	-

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton. 0703 232323

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Managed Fund	93.03	98.35	.....	-
Pensions Cash Fund	80.95	85.21	.....	-

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund
Life Funds

Prudential Holborn Pensions Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
International Money	209.3	220.4	.....	-
North American	79.5	83.7	-1.1	-
Japanese	157.7	166.1	-1.4	-
European	107.0	112.7	-0.6	-
Special Situations	110.0	115.8	+0.6	-
Communications	103.0	108.5	-0.3	-
Smaller Companies	103.8	109.3	+0.2	-
International Small Cos	143.2	150.8	-0.9	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Oct 11	£165.36	170.61	.....	-
Equity Oct 11	£175.82	182.26	.....	-
International Oct 11	£30.19	30.86	.....	-
Intl Bond Oct 11	£12.88	13.05	.....	-
Fixed Int. Oct 11	£73.27	74.00	.....	-
Index Linked Oct 11	£62.51	63.28	.....	-
Property Oct 11	£116.37	123.22	.....	-
Cash Oct 11	£21.7821	21.7821	.....	-
Pru-Linked Retirement Plan				
Managed Oct 17	376.3	392.0	.....	-
Cash Oct 17	205.0	213.6	.....	-
Prudential Pensions Investment Account				
Pens Mngd Oct 23	152.6	164.2	.....	-
Pens UK Eq Oct 23	280.7	302.7	.....	-
Pens Intl Oct 23	194.7	209.7	.....	-
Pens Fixed Oct 23	169.0	178.5	.....	-
Pens Index Lk Oct 23	159.3	168.5	.....	-
Pens Cash Oct 23	133.8	141.0	.....	-

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Pf/lio Fd.	119.1	125.3	.....	-
Balanced Pf/lio Fd	310.6	326.9	.....	-
Cautious Pf/lio Fd.	122.0	128.4	.....	-
Elite Fund	107.4	113.0	.....	-
European Fund	93.3	98.2	.....	-
Far East Fund	109.3	115.0	.....	-
Fixed Interest Fund	241.6	254.3	.....	-

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Mortgage Oct 20	C$13.51	14.19	.....	–
North American	$36.87	38.73	–0.41	–
Overseas	$29.54	31.02	+0.07	–
Pacific Gold	$5.15	5.42	–0.01	–
Tiger	$41.23	43.30	–0.02	–
US Pacific Stock Fund				
NAV Oct 24		$17.68	.....	–
Unico Invest Fd Mgt Co SA Lux				
London & Continental Bankers Ltd				
Unico Invest. Fund	DM76.94	79.30	.....	3.00
Unico Equity Fund	DM64.19	66.12	.....	3.00
Union-Investment-Gesellschaft GmbH				
Unifonds	DM31.95	33.60	–0.10	–
Unirak	DM75.84	79.65	–0.10	–
Unirenta	DM39.13	40.30	–0.10	–
Viking Fund–SICAV				
§NAV Oct 24 Ecu90.79				
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90/10 Trust (Sicav)				
Dollar Fd BOPUPs	$10.64	10.65	.....	–
Dollar Fd OPUPs	$9.64	9.74	.....	–
Sterling Fd BOPUPs	£10.53	10.54	.....	–
Sterling Fd OPUPs	£11.29	11.41	.....	–
DM Fd BOPUPs	DM10.30	10.31	.....	–
DM Fd OPUPs	DM10.46	10.57	.....	–
Yen Fd BOPUPs	$8.50	8.51	.....	–
Yen Fd OPUPs	$9.48	9.59	.....	–
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$11.49	12.20	+0.60	1.15
World Fund S.A.				
World Fund NAV Oct 23		$24.04	.....	–
Yamaichi Dynamic Mngt Co SA				
Advanced Tech		$25.39	.....	–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	14.32	11.21	15.56	3-mth
CAFCASH 7-day Fund	14.48	11.33	15.76	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	14.40	–	15.20	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX 01-236 1425				
Call Fnd	15.02	11.75	16.13	6-Mth
7-day Fund	14.30	11.25	15.43	6-Mth
Special Fund	14.66	–	15.69	Mth
Dollar	7.30	5.87	8.00	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	13.50	10.56	14.64	Qtr
Mth Int Chq £1,000-£4,999	13.50	10.56	14.77	Mth
Mth Int Chq £5,000-£49,999	14.00	10.95	15.35	Mth
Mth Int Chq £50,000+	14.50	11.35	15.94	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-629 6802				
OMNIA (£2,001+)	14.50	11.35	15.50	Mth
HICA (£2,001+)	13.90	10.88	14.82	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN. 01-625 7000				
2,000-9,999	13.738	10.750	14.922	Qtr
£10,000+	14.058	11.000	15.283	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01 601 6746				
Money Mkt Cheque Acc	13.60	10.64	14.90	Mth
Barclays Prime Account H.I.C.A.				
PO Box 125, Northampton 0604 252891				
£1,000-£2,499	11.80	9.20	12.47	Qtr
£2,500+	12.30	9.30	13.13	Qtr
Benchmark Bank PLC Premier Account				
9 Henrietta Place, W1M 9AG. 01-631 3313				
Small Deposits	10.50	–	–	–
£2,500-£10,000	13.50	10.59	14.65	Qtr
£10,001-£20,000	13.75	10.76	14.94	Qtr
£20,000+	14.50	11.35	15.79	Qtr
B & C Merchant Bank PLC Portfolio Acc				
19 Motcomb Street, London SW1X 8LB 01-245 6616				
£2,500-£9,999	13.5	10.56	14.64	Qtr
£10,000-£24,999	14.0	10.95	15.21	Qtr
£25,000 and above	14.5	11.35	15.71	Qtr
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2. 01-606 9833				
Demand Acc	13.625	10.66	14.79	Qtr
Cater Allen Ltd				
25 Birchin Lane, London EC3V 9DJ 01-623 2070				
Cater Allen	13.375	10.4659	14.6438	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	15.50	10.56	14.79	Mth
U.S. Dollar	7.50	5.87	8.04	Mth
German Marks	6.50	5.09	6.94	Mth.
Swiss francs	6.00	4.70	6.40	Mth
Japanese Yen	4.50	3.52	4.77	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove W6 01-741 4941				
Money Market Plus				
£2,000-£24,999	11.00	8.50	11.79	Mth
£25,000	11.50	9.00	12.51	Mth
Clydesdale Bank PLC				
30 St Vincent Place, Glasgow G1 2HL 041 248 7070				
HICA £2,000-£9,999	11.5	9.00	12.41	Qtr
£10,000-£19,999	11.8	9.23	12.74	Qtr
£20,000-£49,999	12.2	9.55	13.20	Qtr
£50,000+	12.8	10.02	13.87	Qtr
Co-operative Bank Top Tier				
78-80 Cornhill EC3 0800 616162				
£500-£999	9.00	7.00	9.30	6-Mth
£1,000-£2,499	10.30	8.00	10.90	6-Mth
£2,500-£9,999	11.50	9.00	12.30	6-Mth
£10,000+	12.80	10.00	13.70	6-Mth
Coutts Reserve Account				
440 Strand, London WC2R 0QS 01-379 6262				
£50,000+	12.625	9.625	12.33	Qtr
£20,000-£49,999	12.50	9.30	12.67	Qtr
£5,000-£19,999	12.00	9.25	12.33	Qtr
£1-£4,999	6.00	4.50	6.00	Qtr
Darlington & Co Ltd				
10 The Crescent, Plymouth PL1 3AB 0752 673873				
Money Mkt Acc	13.73	10.76	14.94	Qtr
Edington Plc				
1 King Street, Manchester M2 6AW 061 834 2535				
HICA (£1,000+)	14.375	11.25	.....	Qtr
Financial & General Bank plc				
15 Lowndes Street, London, SW1X 9EX 01-235 0036				
H.I.D.A. £5,000-£15,000	13.40	10.50	14.70	Qtr
H.I.D.A. £15,000+	13.67	10.70	15.00	Qtr
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1 1NX 01-236 1425				
Money Mngt. Acct	14.375	11.25	15.64	3-Mth
Girobank plc High Interest Cheque Acc				
10 Milk St., London EC2V 8JH 01 600 6020				
£1,000-£3,999	9.65	8.40	11.20	Yearly
£4,000-£9,999	10.0	8.73	11.67	Yearly
£10,000+	10.75	9.25	12.33	Yearly
£50,000	11.25	9.50	12.66	Yearly
Grofund Inv Mngrs/Allied Irish Bank				
High Interest Cheque Account				
51, Belmont Road, Uxbridge, UB8 1RZ 0895 59783				
£1,500+	14.00	10.96	15.22	Qtr
Humberclyde Finance Group				
Chalfey Ct, Winchester Rd, Basingstoke 0256 841863				
£500-£2,499	13.0	10.17	13.56	Qtr
£2,500-£9,999	13.5	10.56	14.08	Qtr
£10,000-£49,999	14.0	10.95	14.60	Qtr
£50,000+	15.0	11.73	15.64	Qtr
Lloyds Bank High Interest Cheque Account				
71 Lombard St, London EC3P 3BS 01-325 3497				
£500+	8.00	6.50	8.70	Mth
£5,000+	10.40	8.00	10.70	Mth
£10,000+	10.90	8.40	11.20	Mth
£50,000+	11.40	8.80	11.70	Mth
M & G/Kleinwort Benson				
M & G Hse, Victoria Rd, Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	13.25	10.37	14.52	Daily
Midland Bank plc				
PO Box 2, Sheffield. 0742 528685				
High Int Chq Acc	10.86	8.50	11.70	Qtr
£10,000+	11.50	9.00	12.41	Qtr
£50,000+	11.82	9.25	12.77	Qtr
Premier Savings £5,000+	13.42	10.30	14.37	6-mth
NatWest Special Reserve Account				
41 Lothbury, London, EC2P 2BP 01-374 3374				
£25,000 and above	12.50	9.55	15.15	Qtr
£10,000 to £24,999	12.00	9.25	12.77	Qtr
£2,000-£9,999	11.75	9.00	12.41	Qtr
£500-£1,999	11.00	8.50	11.70	Qtr
Provincial Bank PLC				
30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
H.I.C.A. (£1,000+)	14.125	11.03	15.45	Mth
Royal Bank of Scotland plc Premium Acc				
42 St Andrew Sq, Edinburgh EH2 2YE. 031-228 5650				
£50,000+	13.95	10.00	15.14	Qtr
£25,000–£49,999	13.74	10.75	14.92	Qtr
£10,000–£24,999	13.55	10.60	14.71	Qtr
£2,500–£9,999	12.47	9.75	13.49	Qtr
Save & Prosper/Robert Fleming				
20 Western Rd, Romford RM1 3LB. 0708 766966				
H.I.B.A.	12.78	10.00	14.02	Daily
TSB Bank plc England & Wales Division				
100 Lower Thames St, London EC3R 6AQ 01-623 6000				
HICA £1–£499	6.50	5.50	7.33	Yearly
£500–£1,999	9.00	7.30	10.00	Yearly
£2,000+	11.00	9.00	12.00	Yearly
Tyndall & Co Ltd				
29-33 Princess Victoria St, Bristol 0272 744720				
Demand Acc	13.75	10.73	14.93	Qtr
HIMA	13.57	10.62	14.74	Qtr
HIMA £100,000+	13.82	10.01	15.02	Qtr
Client Plus Acc	13.25	10.38	14.37	Qtr
J. Henry Schroder Wagg & Co Ltd				
Bilton Cres, Northarbour Rd, Portsm'th 0705 372222				
Special Acc	13.875	10.86	15.23	Mthly
£10,000 and above	14.125	11.00	15.51	Mthly
Western Trust High Interest Cheque Acc				
The Moneycentre, Plymouth PL1 1SE 0752 224141				
£25,000+	14.50	11.35	15.78	Qtr
£5,000-£24,999	14.25	11.15	15.50	Qtr
£1,000-£4,999	14.00	10.96	15.22	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1 7AE 01-606 9485				
High Int Cheque Acc	14.50	11.35	15.79	Qtr

NOTES—Gross rate to those exempt from composite rate of tax Net actual rate after deduction of CRT Gr Equiv CAR: Gross equivalent to basic rate taxpayers-compounded annual rate Int Cr frequency interest credited

UNIT TRUST NOTES
Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium assurance. x Offered price includes all expenses except agent's commission. y Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualized rates of NAV increase adj ex dividend. (**) Funds not SIB recognised.

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
39⅛	18¼	Gillette $1	28¾	−⅛	96c	—	2.1
987p	601p	Gt American Bank Bk $1	619p	−18	20c	—	2.0
23⅞	16⅞	Greyhound $1½	19⅞	−⅛	$1.32	—	4.2
14⅝	847p	Hasbro Inc 50c	14⅜	......	16c	—	0.7
57½	32¼	Honeywell $1½	50⅞xd	......	$2.10	—	2.6
22⅜	15¼	Houston Inds.‖	21¼	−⅜	$2.96	—	8.8
76⅞	62½	IBM Corpn $1¼	64⅝xd	−½	$4.84	—	4.7
60p	45p	♦Image Storage/R.Sys. 1c	52p	......	—	—	—
32⅛	18⅞	Ingersoll-Rand $2	28⅛xd	−⅛	$1.20	—	2.6
33¼	22½	Lockheed Crpn. $1	27½xd	−⅜	$1.80	—	4.1
22⅜	15⅞	Lone Star Inds $1	17¾xd	+⅛	$1.90	—	6.8
27⅞	17½	Louisiana Land 15c	24⅛xd	−¼	$1.00	—	2.6
20½	11½	Lowe's 50c	18⅝	−⅛	48c	—	1.6
28⅞	15⅞	Manuf. Hanover $1	24⅞	−⅞	$3.28	—	8.3
22⅝	13⅞	Merrill Lynch $1	10½	−⅛	$1.00	—	3.4
2477p	1910p	Molex Inc	2361p	−26	3.2c	—	—
30⅛	18⅛	Morgan (JP) $2½	27¼xd	+⅛	$1.66	—	3.8
38⅞	24⅛	Morris (Philip)	27⅛xd	−⅞	$1.13	—	2.6
54½	36⅛	NYNEX $1	49⅝	−⅛	$4.36	—	5.6
44p	20p	N'wide Legal Serv.‖	27p	+2	—	—	—
24⅞	18¼	PHH Corp.‖	22½	......	$1.12	—	3.1
259p	179p	♦Pacific Agr.‖	190p	−5	—	—	—
27¼	19	Pacificorp $3¼	25⅞xd	−⅛	$2.76	—	6.5
30¼	16⅞	Pacific Telesis 10c	28	−⅛	$1.88	—	4.2
22⅜	15¼	Pall Corp. 25c	21¼	−¼	48c	—	1.4
55¼	39⅞	Pennzoil 83 1/3c	49⅛xd	−¼	$3.00	—	3.9
42¼	28⅛	Quaker Oats $5	39	−¼	$1.20	—	1.9
32⅛	23½	Rep NY Corpn $5	29⅞xd	−⅛	$1.28	—	2.7
16	11⅞	Rockwell Intl. $1	15¼xd	−⅛	78c	—	3.2
29½	22	Sears, Roebuck 75c	24⅝	−⅞	$2.00	—	5.1
37½	21⅝	Southwestern Bell $1	35⅞	−½	$2.60	—	4.6
27⅞	17⅞	Sun Co. Inc. $1	24⅞xd	−⅛	$1.80	—	4.6
31¼	22⅞	TRW Inc. 62½c	29¼	......	$1.72	—	3.7
24⅞	14⅜	TW Services $5	20⅜	−⅛	10c	—	0.3
40⅞	26½	Tenneco $5	36⅞	−⅞	$3.04	—	5.2
35⅞	28	Texaco $6.25	32¼xd	−⅛	$3.00	—	5.9
28⅞	20⅝	Texas Instr. $1	20⅝xd	−1⅞	72c	—	2.2
117⅞	58⅝	Time Inc. $1	86¼	+⅞	$1.00	—	0.7
19⅝	15⅞	TRINOVA Corp.	15⅛	−⅛	s68c	—	2.8
26¼	16	USX $1	20⅞xd	−⅜	$1.40	—	4.2
321p	126p	♦Unilab	288p	−3	—	—	—
36⅝	22¼	Utd. Technologies	34⅞xd	−⅞	$1.60	—	3.0
158p	121p	♦Utilitech Inc	121p	−3	—	—	—
48¼	31½	US West‖	43½	−¼	$3.76	—	5.5
43¼	22⅝	Waste Management $1	40¼xd	−¼	60c	—	0.9
20½	13½	Whirlpool $1	17¼	−⅛	$1.10	—	4.1
24⅛	16⅞	Whitman Corp.	18⅝	−¼	$1.02	—	3.5
46⅝	28⅛	♦Woolworth $3½	36⅞	−1⅞	$1.88	—	3.5

CANADIANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
178p	129p	♦ABM Gold Corp‖	154p	−14	—	—	5.2
26p	4½p	♦Abbot Energy Corp.	25p	......	—	—	—
16½	902p	♦Amer. Barrick Res.	15¼	−⅛	—	—	—
28p	10½p	♦Armeno	15p	−1⅛	—	—	—
33¾p	8½p	♦Augmitto Expln.	13½p	−1½	—	—	—
18⅝	12⅞	Bk. Montreal‖	17¼	−¼	$2.12	—	6.7
10⅜	656p	Bk. Nova Scot.‖	901p	−24	92c	—	5.5
821p	599p	♦BC Gas $1	883p	−15	60c	—	4.1
23½	17	BCE‖	22½	−⅛	$2.44	—	5.9
17	12¼	♦Brascan‖	15⅜	−⅛	88c	—	5.1
228p	103p	♦Breakwater Res.	137p	−3	10c	—	4.0
17¼	11¼	Can. Imp Bank‖	16⅞	−⅛	$1.24	—	—
15¼	997p	Can. Pacific‖	13¼	−¼	76c	—	5.0
41½	38	Do. 4pc Deb £100	38	......	4%	—	10.5
588p	374p	Central Capital "A"‖	529p	−1	—	—	—
499p	340p	♦Corona Corp.	442p	−1	—	—	—
382p	228p	♦Coas TVX Min.	341p	−8	—	—	—
775p	506p	♦Derlan Inds.‖	515p	−15	11.75c	—	1.2
10¼	751p	♦Echo Bay Mines	870p	−9	$0.07	—	0.4
572p	336p	♦ECO Corp‖	388p	−14	—	—	—
236p	159p	♦Galactic Resources	163p	−1	—	—	—
417p	243p	Gandalf Techs. Inc.	385p	+15	—	—	—
186p	128½p	Granges Inc.‖	128½p	−2½	—	—	—
27⅞p	5¼p	♦Gt Pacific Res.	5½p	......	—	—	—
903p	651p	♦Gulf Canada‖	874p	−11	52c	—	—
15	10¼	♦Hawker Sid Can‖	13½	+¼	$1.08	—	—
		For Henlys see Sechura Inc.					
20⅛	11¼	♦Hudson's Bay‖	18⅝	+⅛	60c	—	1.7
34⅜	23	♦Imperial Oil†	32¼	−1¼	$1.80	—	3.0
23⅞	14⅛	Inco‖	19½	−½	s$0.80	—	2.6
290p	102p	♦Madeleine Mines	174p	−3	—	—	—
193p	112p	♦Muscocho Explo.	112p	−5	—	—	—
126p	60¼p	♦Nevada Goldfields	77½p	−1½	—	—	—
593p	456p	Nova Corp of Alberta	461p	−2	42c	—	4.9
14½	10⅞	♦Rio Algom	15⅛	......	85c	—	3.4
26¼	17¼	Royal Bk. Can.‖	25	−⅛	$2.20	—	4.8
474	33⅜	Seagram‖	53⅛	−⅛	US$1.40	—	1.7
700p	348p	♦Sechura Inc.	596p	−21	—	—	—
112p	73p	♦Sonora Gold Corp‖	91p	......	—	—	—
109p	37p	♦Tara Pure Tech. Corp‖	43p	+5	—	—	—
12¼	806p	Toronto-Dom. Bk‖	11⅛	−½	76c	—	3.6
944p	686p	♦Trans Can Pipe.	927p	−5	68c	—	4.0
184p	140p	Varity Corp‖	147p	−1	—	—	—

BANKS, HP & LEASING

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*285	216	ANZ $A1	262	−10	s†034½c	2.0	6.3	7.9
162	134	Abbey National 10p	143	−2	L7.7	2.7	7.2	5.8
*205	120½	Allied Irish Ord.	199	−2	h068%	3.3	5.9	10.7
£13½	£11⅞	Algemene Fl.10	£12⅞	+⅛	Q28%	2.0	7.0	7.2
*80	61	Anglo Irish	78	......	♦Q12½%	4.0	6.1	11.0
79	57	Ansbacher (H.) 1p	62	......	2.0	—	4.3	—
£68⅞	£38⅛	Bancaire Cie Fr100	£59⅞	......	h012¼%	—	2.1	—
£46⅛	£35⅛	Banco Bilbao Viz.	£43⅞	+⅛	Q35.7%	2.0	2.9	17.1
£33	£28	Banco de Santander	£30⅞	......	Q21%	2.4	2.5	16.9
*253	169	Bank Ireland Ir£1	252	......	h012.3%	3.2	4.4	9.1

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
45	35	♦Ayer Hitam SM1	40	.....	♯053.3c	0.7	†
75	38	Gopeng Berhad M$0.50	75	.....	r010c	2.0	3.2
84	47	Malaysia Mng. 10c	71	–1	05c	4.0	1.7
180	120	Petaling SM1	168	.....	087c	1.0	13.1
150	90	Sungei Besi SM1	125	.....	070c	1.4	13.4
90	90	Tanjong 15p	90	.....	–		–

Miscellaneous

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
[illegible]	69	Anglesey Mining 9p	185	.....	–	–	–
[illegible]	18	Do. Warrants	118	.....	–	–	–
32	12	Anglo-Dominion	18¼	–⅛	–	–	–
[illegible]	380	Bond Intl Gold	560	.....	–	–	–
[illegible]	26	Butte Mining 10p	36	+1	–	–	–
[illegible]	24	♦Colby Res Corp	30	+3	–	–	–
[illegible]	83	Cons. Murch. 10c	86	–5	030c	5.5	8.9
[illegible]	4	♦DRX Inc	6	.....	–	–	–
*27	13½	♦Ennex Int. Ir10p	16½	.....	–	–	–
[illegible]	80	Europa Minerals 2p	83	–7	b1.0	–	1.6
*50	33	♦Explaura L/V 5p	35½	–½	–	–	–
[illegible]	65	Geevor	78	–2	–	–	–
[illegible]	40	Greenwich Res.	47	–3	–	–	–
£12⅞	£4⅞	♦Hemlo Gold Mines	£8¾	–⅛	S020c	–	1.3
£10¼	£6⅞	Homestake Mining $1	£9⅝	–⅛	Q20c	–	1.3
[illegible]	26½	♦Kenmare	43½	–1	–	–	–
47	8½	♦McFinley Red Lake	9½	.....	–	–	–
[illegible]	14	♦New Sabina Res C$1	14½	–1½	–	–	–
[illegible]	256	Northgate C$1	341	–8	–	–	–
39½	6	♦Nor-Quest Res.	21½	+½	–	–	–
[illegible]	404	RTZ 10p	503	–14	15.0	3.3	4.0
[illegible]	6	♦Therco Res. Inc.	9½	.....	–	–	–
[illegible]	178	♦Young Group 10p	183	.....	L6.3	3.2	4.6

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names; α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ *Not officially UK listed; dealings permitted under rule 535(4)(a)*
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ‡ *Price at time of suspension*
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ *Not comparable*
- ♠ Same interim; reduced final and/or reduced earnings indicated
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. *No P/E usually provided.*
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	80xd	.....
Craig & Rose £1 ... γ	830	.....
Finlay Pkg. 5p ... γ	68	+1
Holt (Jos) 25p ... γ	1343xd	.....

IRISH

Cap. 8½% Ln. 1991	£97	.....
9pc Cap Ln. 1996	£97½	–¼
Fin. 11% 97/02	£117¼	.....
Arnotts	410	.....
Carroll (P.J.) ... γ	146	+1
Hall (R. & H.)	168	–2
Heiton Hldgs. ... γ	94	+1
IRG	230	.....
United Drug	142	+2

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	38
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	118
Grand Met	48
GUS 'A'	90
Guardian	10
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intal	34
STC	32
Sears	10
Smithkline Bchm A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	10
Wellcome	42

Property

Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils

Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Cons Gold	150
Lonrho	38
RTZ	48

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound above lows

CURRENCY MARKETS became volatile yesterday with the dollar and sterling rallying after showing nervous weakness.

The dollar reacted to a sharp fall in shares on Wall Street, sliding to a low of DM1.8325 while sterling fell on initial disappointment at the September UK trade figures. The dollar picked up, as Wall Street came off its low, but kept a nervous eye on the equity market. Sterling also recovered after bouncing off support at DM2.9400.

US durable goods orders for September undermined confidence, even though the fall of 0.1 per cent was much less than most forecasts. The market was expecting a fall of around 2 per cent, compared with a rise of 3.8 per cent in August, but after stripping out defence sector orders fell by 3.9 per cent, wiping out the August gain.

Manufacturing appears to be very soft, if the figures are a reliable guide. Orders for non-defence capital goods, such as machine tools and assembly line components, fell 5.6 per cent, leading to the comment that the US economy is shifting back to more consumption and less domestic production.

The dollar rallied somewhat towards the London close, but still finished below the technical support level of DM1.8400. It fell to DM1.8390 from DM1.8550; to Y141.55 from Y142.30; to SFr1.6120 from SFr1.6250; and to FFr6.2425 from FFr6.3000. On Bank of England figures the dollar's index fell to 69.4 from 69.8.

Another test for the dollar is likely to come today with publication of figures on third-quarter US Gross National Product. Growth of less than the 2.5 per cent seen in the second quarter is generally expected and could put further pressure on the currency.

Sterling fell over 1 pfennig in initial reaction to the UK trade figures, to a low of DM2.9400, but the pound recovered to show small mixed changes at the close. A current account deficit of £1.64bn in September was an improvement on the revised shortfall of £2.01bn in August, and was around the middle of a wide range of market forecasts. Imports rose 6 per cent, but a rise of 13 per cent in exports was encouraging, and helped to reverse the initial disappointment.

Sterling's selloff on publication of the figures was a reaction from speculative funds, encouraged to move into the pound in an otherwise very quiet market on Monday. This money was looking for a rise in the pound's value, on rumours that the current account deficit would be lower than the $1.6bn generally forecast. When this failed to happen the froth on sterling was wiped off, but it did not appear to represent any fundamental weakening and the Bank of England was not seen in the market.

At the close sterling was 1.15 cents higher on the day at $1.6065. It had also advanced to Y227.50 from Y227.00, but remained slightly weaker against European currencies, falling to DM2.9550 from DM2.9575; to SFr2.5900 from SFr2.5925; and to FFr10.0375 from FFr10.0475. The pound's index rose 0.1 to 89.8.

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

Oct.24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5915 - 1.6105	1.6060 - 1.6070	0.87-0.85cpm	6.42	2.49-2.46pm	6.16
Canada	1.8635 - 1.8850	1.8810 - 1.8820	0.48-0.40cpm	2.81	1.35-1.25pm	2.76
Netherlands	3.32¾ - 3.34¼	3.33¾ - 3.34¾	2-1⅞cpm	6.97	5⅞-5¾pm	6.52
Belgium	61.75 - 62.20	61.95 - 62.05	31-26cpm	5.52	83-77pm	5.16
Denmark	11.46½ - 11.52½	11.50½ - 11.51½	3¼-2¾orepm	3.13	9⅜-8⅝pm	3.13
Ireland	1.1050 - 1.1136	1.1095 - 1.1105	0.45-0.40ppm	4.59	1.10-1.00pm	3.78
W. Germany	2.94 - 2.95¾	2.95¼ - 2.95¾	1¾-1½pfpm	7.36	4⅞-4¾pm	6.51
Portugal	251.10 - 254.15	253.15 - 254.15	23-42cdis	-1.54	6-55dis	-0.56
Spain	187.55 - 188.90	188.50 - 188.80	16-6cpm	0.70	42-26pm	0.72
Italy	2159¾ - 2171¼	2170¼ - 2171¼	4-3lirepm	1.93	13-11pm	2.21
Norway	10.98¼ - 11.06¾	11.05¼ - 11.06¼	3⅞-3¼orepm	4.07	10¼-9¼pm	3.55
France	9.99 - 10.05	10.03¼ - 10.04¼	4⅞-4¼cpm	5.08	11⅞-11⅛pm	4.68
Sweden	10.22¼ - 10.29¼	10.26¼ - 10.27¼	2⅞-2⅛orepm	3.21	7¼-7⅛pm	2.92
Japan	226¼ - 228	227 - 228	1¾-1⅝ypm	8.90	4⅞-4¾pm	8.36
Austria	20.70 - 20.84	20.81 - 20.84	12⅛-11⅛gropm	6.77	32½-29½	5.99
Switzerland	2.57¾ - 2.59½	2.58¾ - 2.59½	1⅞-1⅝cpm	7.82	4⅝-4⅜pm	6.95
ECU	1.4400 - 1.4470	1.4460 - 1.4470	0.57-0.54cpm	4.60	1.59-1.54pm	4.33

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 62.30-62.40 Six-month forward dollar 4.81-4.76cpm 12 Months 8.69-8.59cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5915 - 1.6105	1.6060 - 1.6070	0.87-0.85cpm	6.42	2.49-2.46pm	6.16
Ireland†	1.4390 - 1.4490	1.4455 - 1.4465	0.28-0.23cpm	2.12	0.94-0.84pm	2.47
Canada	1.1695 - 1.1725	1.1715 - 1.1725	0.34-0.37cdis	-3.64	0.99-1.03dis	-3.45
Netherlands	2.0715 - 2.0870	2.0765 - 2.0775	0.11-0.09cpm	0.58	0.22-0.18pm	0.38
Belgium	38.50 - 38.85	38.55 - 38.65	2.00-4.00cdis	-0.93	8.00-11.00dis	-0.98
Denmark	7.14½ - 7.19¾	7.16¼ - 7.16¾	1.90-2.20oredis	-3.42	5.00-5.45dis	-2.90
W. Germany	1.8325 - 1.8485	1.8385 - 1.8395	0.13-0.11pfpm	0.78	0.25-0.22pm	0.51
Portugal	157.70 - 158.10	157.70 - 157.80	60-70cdis	-4.94	250-280dis	-6.71
Spain	116.95 - 117.90	117.25 - 117.35	52-62cdis	-5.80	160-170dis	-5.60
Italy	1347½ - 1356¼	1351¼ - 1351¾	4.90-5.40liredis	-4.56	13.00-14.00dis	-3.98
Norway	6.86½ - 6.90¾	6.88 - 6.88½	1.20-1.45oredis	-2.30	4.30-4.70dis	-2.61
France	6.23½ - 6.27¾	6.24½ - 6.25	0.72-0.77cdis	-1.43	2.25-2.35dis	-1.47
Sweden	6.38¼ - 6.42½	6.39¼ - 6.39¾	1.70-1.85oredis	-3.32	5.03-5.38dis	-3.24
Japan	141.30 - 142.20	141.50 - 141.60	0.31-0.29ypm	2.53	0.80-0.77pm	2.21
Austria	12.95 - 13.00¾	12.96 - 12.96½	0.55-0.15gropm	0.32	1.30-0.20pm	0.23
Switzerland	1.6075 - 1.6205	1.6115 - 1.6125	0.16-0.13cpm	1.07	0.34-0.30pm	0.79
ECU	1.1050 - 1.1165	1.1155 - 1.1165	0.19-0.18cpm	1.99	0.56-0.53pm	1.95

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.75-38.85.

EURO-CURRENCY INTEREST RATES

Oct 24	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15¼-15	15¼-15	15¼-15⅛	15¼-15	14⅞-14⅞	14⅞-14⅝
US Dollar	8¾-8⅝	8¾-8⅝	8⅞-8⅝	8¾-8⅝	8⅝-8⅜	8⅝-8⅜
Can. Dollar	12⅛-11⅝	12⅛-11⅞	12-11⅞	12⅛-11⅞	11⅞-11⅝	11⅞-11⅝
D. Guilder	8⅛-8	8⅛-7⅞	8⅛-7⅞	8⅛-7⅞	8⅛-7⅞	8⅛-7⅞
Sw. Franc	7-6⅞	7⅞-7⅝	7⅞-7⅝	7⅞-7⅝	7⅞-7⅝	7⅞-7⅝
Deutschmark	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	8⅛-7⅞	8⅛-7⅞	8-7⅞
Fr. Franc	10⅛-9⅞	10⅛-9⅞	10⅛-10	10⅛-10	10⅛-9⅞	9⅞-9⅞
Italian Lira	12-10	17⅞-16⅞	14-13¾	13¾-12¾	12⅞-12⅞	12⅞-12⅝
B. Fr. (Fin)	9¾-9¼	9⅝-9½	9¾-9⅝	9¾-9⅝	9⅝-9⅝	9⅝-9⅝
B. Fr. (Con)	9⅝-9¼	9⅝-9⅝	10-9⅝	10-9⅝	9⅞-9⅞	9⅝-9⅝
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D.Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8½-8⅜ per cent; three years 8⅝-8½ per cent; four years 8⅝-8½ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

CHICAGO

[illegible]

LONDON (LIFFE)

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 63,491

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Bank keeps it tight

CREDIT CONDITIONS remained tight on the London money market yesterday, in spite of the fact that the Bank of England provided more than enough help to take out the underlying shortage.

Fixed period rates eased slightly, as share prices in London weakened in line with the slide on Wall Street, and sterling recovered after weakening on the UK trade figures. Three-month interbank declined to 15⅛-15⅛ from 15¼-15⅛ per cent.

UK clearing bank base lending rate
15 per cent
from October 5

Overnight money also eased slightly to 15¼-15 from around 15¾-15 per cent, but this was on a day when the day-to-day credit shortage was only £250m, against £900m on Monday. The Bank of England initially forecast a shortage of £350m, but revised this to £300m at noon and to the final figure in the afternoon. Total help of around £334m was provided.

In recent days the authorities have tended to under-help the market, but the change to providing a surplus of credit was not a reaction to nervousness in the equity markets, according to dealers. It was pointed out that the market has been getting very tight after constant under-help from the Bank of England and that more than enough bills were offered by the market to deal with yesterday's shortage.

The authorities bought only £184m bills by way of £26m Treasury bills in band 1 at 14¾ per cent and £108m bank bills in band 1 at 14¾ per cent. The Bank of England chose to provide the bulk of its help, via late assistance of around £200m, thus keeping the market tight, but dealing with any structural problems that may have been building up.

In New York the Federal Reserve did not operate in the banking system. Dealers were divided on whether the Fed needed to drain liquidity; some believed that the central bank had not acted because of the nervousness on Wall Street.

In Frankfurt call money remained at 7.90 per cent. The market believes the Bundesbank wishes to move the call rate further below the 8 per cent Lombard rate. There will be an opportunity today if the Bundesbank provides more than the DM9.4bn draining from the market as a securities repurchase agreement expires. A tender for a new pact was set yesterday, at a fixed rate of 7.3 per cent.

FT LONDON INTERBANK FIXING

[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

[illegible]

Fed.funds ... 8⅞	One year ... 7.74	10-year ... 7.87	
Fed.funds at intervention ... -	Two year ... 7.78	30-year ... 7.88	

Oct.24	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.85-7.95	7.90-8.05	7.85-8.00	7.95-8.15	7.90-8.10	8.00
Paris	9⅞-10⅛	9⅞-10⅛	9⅞-10⅛	10-10⅛	9⅞-10⅛	9.50
Zurich	6⅞-6⅞	7⅛-7⅞	-	7⅛-7⅞	-	-
Amsterdam	7.68-7.81	8.10-8.20	-	8.10-8.20	-	-
Tokyo	6⅛-6⅛	6⅛-6⅞	-	6⅛-6⅛	-	-
Milan	12⅛-12⅛	12⅞-13⅛	-	12⅞-13¼	-	-
Brussels	-	-	-	-	-	-
Dublin	10⅛-10½	10¼-10⅞	10¼-10⅞	10¼-10¼	10¼-10⅛	-

LONDON MONEY RATES

Oct 24	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅛	15⅛	15⅛	15⅛	14⅞	14⅞
Interbank Bid	15	15	15⅛	15⅛	14⅞	14½
Sterling CDs.	-	-	15⅛	15⅛	14⅞	14½
Local Authority Deps.	14⅞	15	15	15	14⅞	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15⅛	15	14¾	14½	-	-
Company Deposits	-	-	15⅛	15⅛	14⅞	14⅞
Finance House Deposits	-	-	15⅛	15⅛	14⅞	14⅞
Treasury Bills (Buy)	-	-	14¾	14⅞	-	-
Bank Bills (Buy)	-	-	14¾	14⅞	13⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14½	-
Dollar CDs.	-	-	8.63	8.60	8.42	8.38
SDR Linked Dep. Offer	-	-	8⅝	8⅝	8¼	8¼
SDR Linked Dep. Bid	-	-	8½	8⅝	8½	8½
ECU Linked Dep. Offer	-	-	10⅞	10⅞	10⅝	10⅞
ECU Linked Dep. Bid	-	-	10⅞	10⅞	10¼	10⅞

Treasury Bills (sell); one-month 14⅝ per cent; three months 14⅞ per cent; Bank Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.4398 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 29, 1989. Agreed rates for period October 25,1989 to November 25, 1989, Scheme I: 14.82 p.c., Schemes II & III: 15.27 p.c. Reference rate for period Sept.1,1989 to Sept.29, 1989, Scheme IV&V: 14.018 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from October 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25,1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%
ABN Bank	15
Adam & Company	15
Allied Irish Bank	15
Allied Trust Bank	15
● Henry Ansbacher	15
Associates Cap Corp	15
Banco Bilbao Vizcaya	15
Bank Hapoalim	15
Bank Leumi (UK)	15
Bank Credit & Comm.	15
Bank of Cyprus	15
Bank of India	15
Bank of Scotland	15
Banque Belge Ltd	15
Barclays Bank	15
Benchmark Bank PLC	15
Brit Bk of Mid East	15
● Brown Shipley	15
Business Mortg Trust	15
CL Bank Nederland	15
● Charterhouse Bank	15
Citibank NA	15
City Merchants Bank	15
Clydesdale Bank	15
Comm. Bk. N. East	15
Co-operative Bank	15
Coutts & Co	15
Cyprus Popular Bk	15
Duncan Lawrie	15
Equatorial Bank plc	15
Exeter Trust Ltd	15½
Financial & Gen. Bank	15
First National Bank Plc	15
● Robert Fleming & Co	15
Robert Fraser & Ptrs	15
Girobank	15
● Guinness Mahon	15
HFC Bank plc	15
● Hambros Bank	15
Hampshire Trust Plc	15
Heritable & Gen Inv Bank	15
● Hill Samuel	15
C. Hoare & Co	15
Hongkong & Shanghai	15
● Leopold Joseph & Sons	15
Lloyds Bank	15
Meghraj Bank Ltd	15
Midland Bank	15
McDonnell Douglas Bk	15
Mount Banking	15
Nat Bk of Kuwait	15
NatWestminster	15
Northern Bank Ltd	15
Norwich Gen. Trust	15
PRIVATbanken Limited	15
Provincial Bank PLC	15
R. Raphael & Sons	15
Roxburghe Guarantee	15½
Royal Bk of Scotland	15
Royal Trust Bank	15
● Smith & Williamson Secs	15
Standard Chartered	15
TSB	15
United Bk of Kuwait	15
United Mizrahi Bank	15
Unity Trust Bank Plc	15
Western Trust	15
Westpac Banking Corp	15
Whiteaway Laidlaw	15
Yorkshire Bank	15

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9%. Sweeter 8.5%. Top Tier £10,000+ instant access 12.5% & Mortgage base rate. § Demand deposit 9%. Mortgage 14.25% - 15%

JOTTER PAD

CROSSWORD

No.7,072 Set by MUTT

ACROSS

1 Lucky cat, needs no capital to be in the money (6)
6 We all come from Tahiti for the finals, bringing fragrant resin (5)
9 Within this cult, racism is found to be extreme (5)
10 The humble petitioner makes up plaints (9)
11 You'll find it beneficial if well done! (4,3,3)
12 Mix carefully in jug, perhaps? (4)
14 Looks into quietly disparaging bugs (7)
15 Very sweet; it becomes Electra (7)
17 Stop before the opening (7)
19 Uneasy truce after the French formal reproof (7)
20 Chances for Social Democrats' party to make a comeback? (4)
22 Claims to be the cast of St Paul's toe (10)
25 Brilliance of an afterthought turns man sullen (9)
26 Flavour with discrimination (5)
27 Long story without point (5)
28 Forbearing to disturb Leo in a dreamy state (9)

DOWN

1 Loud breather gets thrown (5)
2 Turned up in ragged trousers, note (9)
3 Not touched; simple (10)
4 Takes in the sailors' eyes (7)
5 The once one gets into bed (7)
6 Fitzgerald has everything up to a point (4)
7 When stick is raised, model will perform (5)
8 Bury iron soldier with medal, we hear (9)
13 Quietly hesitate over a soft drink, then rise to get the coffee-pot (10)
14 I'm crafty about parking; I love to be superior in an irreverent way (9)
16 Many take poor Aunt Rose to be such a pleasing lady (9)
18 Fish caught to produce for show (4,3)
19 Subsequently a student will come to this way of thinking (7)
21 Girl is upset, having been ill (5)
23 A dramatic incident was reported to have been noticed... (5)
24 ... by an unnamed person at another time (4)

Solution to Puzzle No.7,071

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO
4pm prices October 24

MONTREAL
4pm prices October 24

Total Sales 7,405,303 shares.

INDICES

NEW YORK

DOW JONES	Oct 24	Oct 23	Oct 20	Oct 18	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	2659.22	2662.91	2689.14	2683.20	2791.41 2 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	92.82	92.73	92.76	92.68	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1210.70	1256.91	1290.80	1263.51	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.04	215.95	215.48	215.42	221.64 (8/8)	181.04 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

‡Day's High 2680.74 (2704.71) Low 2570.29 (2648.77)

STANDARD AND POOR'S

	Oct 24	Oct 23	Oct 20	Oct 18	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	343.70	344.83	347.16	347.13	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials (latest)	392.83	393.58	396.30	396.57	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	33.05	33.36	33.68	33.55	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	190.05	190.90	192.12	192.17	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	376.36	379.46	382.57	382.81	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	461.70	467.22	470.67	470.80	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct 20	Oct 13	Oct 6	year ago (approx.)
Dow Industrial Div. Yield	3.83	4.01	3.62	3.63
	Oct 18	Oct 11	Oct 4	year ago (approx.)
S & P Industrial div. yield	2.95	2.82	2.82	3.19
S & P Ind. P/E ratio	14.28	14.91	14.90	13.03

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Security Pacif	4,811,200	44⅛	− ⅛
UAL	4,915,600	170	− 8⅝
Mipco Inds	4,419,900	17⅜	− ⅛
Philip Morris	3,089,800	44½	+ ⅝
Phillips Pet	2,920,700	23⅝	+ ½
Chase Manhattan	2,737,700	38⅞	− ⅞
McDonald's	2,473,000	32⅜	+ 1⅝
Bristol Myers	2,472,400	52⅜	− ⅜
AT&T	2,360,400	43⅛	+ ⅜
BankAmerica	2,316,500	29½	− 1⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 24	Oct 23	Oct 20
New York	237.960	135.061	164.803
Amex	14.406	10.155	10.638
NASDAQ	(u)	117.175	158.158
Issues Traded	1,954	1958	1,948
Rises	360	503	662
Falls	1,213	985	809
Unchanged	381	470	477
New Highs	15	17	32
New Lows	79	38	20

CANADA

TORONTO	Oct 24	Oct 23	Oct 20	Oct 19	1989 HIGH	1989 LOW
Metals & Minerals	3499.41	3470.3	3542.70	3587.98	3919.2 (1/9)	3207.5 (3/1)
Composite	3899.13	3912.15	3954.79	3969.66	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2001.78	2003.47	2025.09	2034.55	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct 24	Oct 23	Oct 20	Oct 19	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1649.1	1668.1	1673.8	1655.9	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	790.7	801.6	805.6	798.4	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	473.56	470.62	471.62	472.92	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6563.53	6560.79	6555.74	6498.17	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	340.95	341.65	342.08	334.61	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	(u)	669.3	673.2	673.6	815.8 (18/4)	666.0 (16/10)
FRANCE						
CAC General (31/12/82)	530.7	527.7	533.8	523.9	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	120.0	120.7	120.5	120.5	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	635.79	639.5	645.3	640.44	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1890.5	1900.4	1900.8	1903.9	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1507.37	1523.22	1524.21	1526.60	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2731.97	2732.17	2703.95	2663.37	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1731.63	1739.38	1748.95	1744.78	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	652.43	661.47	663.47	659.36	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35526.55	35585.52	35486.38	35374.22	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2681.22	2687.55	2679.72	2665.66	2703.58 (2/10)	2366.91 (6/1)
2nd Section (4/1/68)	3737.95	3734.57	3717.46	3705.58	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	252.7	260.0	258.3	260.5	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	194.3	199.9	198.6	200.3	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	641.48	649.93	651.75	648.94	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1287.69	1283.89	1259.94	1224.18	1288.62 (13/10)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1358.42	1365.02	1345.60	1337.12	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1513.0‡	1511.0	1519.0	1542.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2536.0‡	2526.0	2513.0	2505.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	903.50	891.30	903.29	909.54	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	313.18	314.55	314.83	310.35	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4292.11	4326.06	4359.89	4347.31	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	770.0	783.8	784.5	788.5	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	10236.01	10108.24	10161.99	10092.45	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	691.19	(c)	682.44	668.65	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	534.9	535.2	535.1	551.2 (3/8)	487.6 (13/6)

**Saturday Oct.21: Taiwan Weighted Price: 10130.36. Korea Comp Ex. 886.00.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday October 24 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Tokyu	65.4m	2,580	+170	Odakyu Rail	17.9m	1,890	+60
Acid	32.6m	1,540	+80	Tokyu Cnstr	17.4m	1,570	+100
Sekisui House	26.5m	2,710	+150	Tokyu Land	14.9m	1,700	+80
Tokyu Dept	23.9m	2,320	+160	Nagoy Rail	12.3m	1,540	+70
Nippon Steel	21.8m	720	−7	Mitsui Rl Est	10.8m	2,880	+20

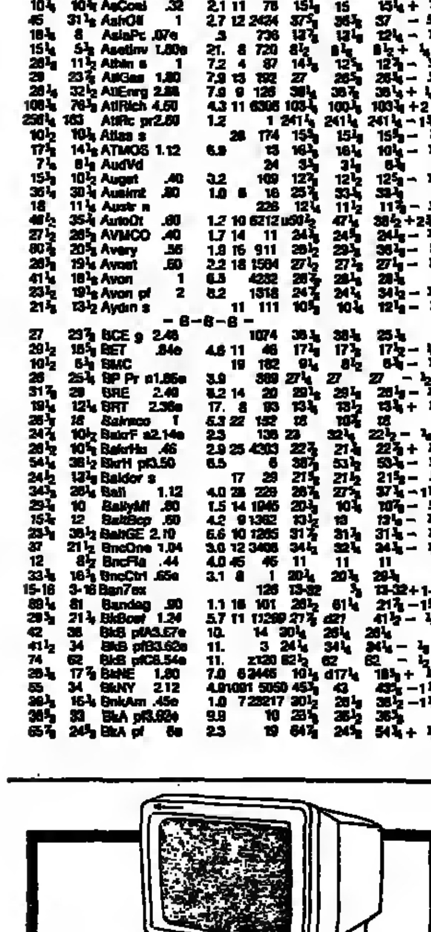
AMEX COMPOSITE PRICES

4pm prices October 24

4pm prices October 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A-A-A -								
37⅛	21⅛	AAR	.40	1.3	23	x276	37	35⅛	36⅞	
9⅛	8⅝	ACM n	1.01	11.		127	9⅝	9⅛	9⅛	+ ⅛
11⅞	10⅛	ACMIn	1.28a	11.		806	11½	11⅝	11⅞	
10⅝	8	ACM M	n1.01	12.		959	8¾	8½	8⅝	
11½	10	ACM Sc	1.26	11.		1156	11⅛	11⅛	11⅛	+ ⅛
9⅞	8¾	ACMSp	1.01	11.		538	9⅝	9	9⅛	
16	11½	AL Lab	.12	.8	17	139	16	15½	16	
4⅛	3⅛	AMCA	.12e	2.4	23	10	3⅞	3½	3½	
8½	4½	AM Int			10	1347	5	4⅞	4⅞	- ⅛
23½	20⅞	AM In pf	2	8.1		16	22	41⅛	22	
107⅛	48½	AMR			8	23096	69	63¾	68⅞	- 1⅝
27	20	ANR pf	2.67	10.		16	36	25⅞	25⅞	- ⅛
7⅛	3⅝	ARX				95	4	3⅞	4	
48⅞	37¼	ASA	3a	6.8		557	44⅛	43½	43⅞	- ⅛
30⅛	18⅛	AVX	.24	.8	12	333	29½	28⅛	28½	- ⅛
68½	44⅛	AbtLab	1.48	2.1	18	4222	67½	66⅛	67	- ½
18⅛	13⅞	Abitibi g	1			46	13	d12	13	- ⅛
13	7½	AcmeC	.40	3.9		17	10⅛	10⅛	10⅜	+ ⅛
9⅛	5⅞	AcmeE	.32	3.8	10	3	8½	8½	8½	
39½	20⅛	Acusn			26	257	36	35⅞	35⅛	- ⅛
17	14⅛	AdaEx	1.82e	11.		166	16½	16⅛	16⅞	
12⅝	8½	Adobe				293	11⅝	10⅛	10⅛	- ⅛
19⅞	16½	Adob pf	1.84	9.9		6	18⅛	18⅝	18⅝	- ⅛
10⅞	7⅛	AMD				1972	8⅛	7⅞	8	- ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24	20½	PBCol pf2.10		8.6		1	23⅜	23⅝	23⅝	− ¼
15¼	10½	PSin pfB1.04		8.3		z200	12½	12½	15½	
8½	5½	vjPSNH			36	777	3¾	3⅝	3⅝	
17¼	6½	vjPSNH pf				z2570	16¼	15⅝	16¼	
17⅝	7⅜	vjPNH pfB				4	16½	16⅜	16⅜	
20	9	vjPNH pfC				1	17½	17½	17½	
18⅞	8¼	vjPNH pfD				20	16⅞	16½	16½	+ ⅛
18⅞	7¾	vjPNH pfE				35	18⅜	16⅜	16¼	− ⅛
10	7	vjPNH pfF				22	16¼	16⅜	16⅜	− ⅛
18¼	7⅜	vjPNH pfG				16	16½	16¼	16¼	
16⅞	10¼	PSvNM .36j				4125	13⅞	13½	13⅝	− ⅛
28½	23	PSEG	2.04	7.7	10	3440	26⅝	26	26½	
3⅝	2⅜	Publick				444	2¼	d 2	2¼	+ ⅛
26½	41⅝	PR Cem	.65e	1.2	7	45	23½	54½	54⅝	−2
22⅛	19	PugetP	1.76	8.5	10	672	20⅞	20⅝	20⅝	+ ⅞
12⅝	12	PDPI n				95	12⅛	12	12	
12⅝	12⅜	PDIF n				123	12½	d12¼	12⅛	− ⅛
8⅜	6⅞	PHICB	.85	12.		278	7¼	7	7⅛	
10⅜	9¼	PHYM n	.75	8.2		133	9½	9⅛	9⅛	
9½	8¾	PIGIT	1.01	11.		937	9	8¾	9	+ ⅛
12⅛	12	PIGM n				282	12⅛	12	12	
10¼	9⅞	PMMI	s.75a	7.8		351	9¾	9⅛	9⅝	− ⅛
8½	7¾	PMIIT	1.03e	13.		795	8	7¾	7¾	− ⅛
9⅝	8¼	PMIT	1.10a	13.		906	8½	9¼	8¼	− ⅛
9⅝	9	PPrIT	1.14	14.		2806	8⅜	8¼	8⅛	+ ⅛
12	8	QMS				788	11⅞	10½	11	
1	5-16	Qantel				293	½	7-16	½	+ 1-32
68⅞	49½	QuakrO	1.40	2.2	24	2278	80	60⅛	62¼	− ⅛
19⅞	14½	QuakSC	.23	8.4	20	1037	15	14⅞	14⅞	− ⅛
19	12½	Quanex	.32	2.7	9	368	15½	16	15	− ⅛
31¾	25½	Quanx pf2.28		8.3		2	27½	27½	37½	− ½
59½	30¼	Quantm	3	9.8	2	7905	35½	32⅞	33⅛	−1
12¼	18⅛	QstVI	1.20e	9.7		283	12⅞	12⅝	12⅜	− ⅛
14	7¾	QstVC				674	12⅞	12⅜	12⅜	− ⅜

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
47⅝	43⅞	Xerox pf				5	45⅞	46⅞	45⅞	− ⅛
46⅜	44½	Xerox pf4.13		8.7		162	47½	47	47½	+ ⅛
44¼	25⅛	XTRA	.72	2.5	8	108	26⅞	20	20	−1
4¼	2	Zapata				259	2½	2⅜	2⅛	− ⅛
21½	16½	ZenithE				2110	10⅞	d13	13⅝	− ⅛
2½	⅜	vjZenLb				2267	⅝	½	⅜	+ ⅛
21½	15	ZenNtl	.84	4.5	6	257	19½	13⅞	19½	
19¼	7¼	Zenlx	1.26	16.		183	8⅛	7¼	7⅞	− ⅛
16½	13½	Zero s	.40	2.0	14	413	10⅞	10⅛	12¼	− ⅛
44¼	20⅛	Zurnin	.68	1.8	13	172	38¾	38½	36⅝	−1
12⅝	10	Zweig	1.12e	9.5		290	11⅞	11½	11⅝	− ⅛
10⅛	8¾	ZweigTl	.96	9.8		1675	8⅞	0½	9⅞	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

3pm prices October 24

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WmSon s		25	137	26	96	26¼	−1½
WilmTr	1.24	12	420	46¼	33½	38¾	− ⅛
WiscTy		16	143	13⅛	12⅝	13	− ⅛
WiserO	.40	48	23	13½	13¼	10¼	− ⅛
Wolohn	.28	6	155	18¼	17⅞	17¼	− ½
WivEx h			174	7⅞	7½	7½	− ⅛
Worthg	.56	17	454	20⅜	23¼	23½	− ⅛
Wyman	.80		243	15⅛	10	10½	+ ⅛
−X−Y−Z−							
XL Dta s		13	1906	19	10⅛	17¼	−1½
XOMA			1762	22¼	20⅜	21⅜	− ½
Xicor		9	2131	4⅜	4½	4½	− ⅛
YanEnS	.38e		61	21¼	21¼	21¼	
YelowF	.76	11	2500	25⅛	25⅛	25¼	− ½
YorkRs			199	6	5⅞	6	+ ⅛
ZionUt	1.44		6	30¼	30¼	33¼	− ¼

AMERICA

Dow ends little changed after plunging 85 points

Wall Street

THE DECISION by the UAL board to remain independeot for tbe time being, more evidence of economic weakness and continuing disappointment with third-quarter corporate earnings combined yesterday to produce the most nervous equity trading since the mini-crash of October 13, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed only 3.69 points lower at 2,659.22, after plummeting 85 points earlier, oo heavy volume of 238m shares.

This tiny final loss seemed misleading after a very active session, characterised by wild swings as waves of programmed stock index arbitrage pushed tbe market in both directions.

During the morning, the Dow made its 85-point plunge and S&P 500 contracts fell 12 points, the limit under a circuit breaker introduced in the wake of the 1987 Crash. Under this rule, an S&P 500 contract cannot be traded at a lower price for 30 minutes.

Wben futures started trading again at about 11 am, they were quoted at large premiums to the casb market, which had plummeted while futures had been halted. Stock index arbitrage plays kicked in as traders sold the futures and bought the underlying cash stocks.

By late morning, the arbitrage had brought the futures and casb markets into line. The rebound during the morning brought the Dow back to a loss of about 30 points, but it then moved lower again.

During the afternoon, more arbitrage hit the market, but this tended to produce selling in the futures market and buying in the cash market.

Such activity made it difficult to discern the underlying mood of the market, but there seemed to be geouine weakness on markets where programme trading did not have a direct effect. The American Stock Exchange Index closed 3.10 lower at 376.36 and secondary stocks were badly hit on the over-the-counter market.

The positive mood of last week, which many thonght had verged on complacency so soon after the 190-point drop on October 13, has crumbled over the last two sessions.

Economic figures showed durable goods orders for September declining by 3.9 per cent, once a large jump in defence orders bad been stripped out, and were taken as further evidence of weakness in the manufacturing sector.

The latest development at UAL was a large factor in yesterday's market decline, but disappointment with corporate earnings has also played a key role. UAL recovered from a loss of more than $30 to close $8 lower at $170, after reports that Mr Donald Trump, the property developer, had been buying shares.

Among other airlines, USAir dropped $2½ to $40 after posting a third-quarter loss of $1.86 a share compared with a profit a year earlier.

The junk bond market was wsak again, and stocks of money centre banks were particularly soft because of concerns about their exposure to leveraged buy-outs. Merrill Lynch told its clients to reduce the weighting of money centre banks in equity portfolios.

Chase Manhattan dropped $⅞ to $38⅞, Manufacturers Hanover lost $1 to $38⅞ and BankAmerica fell $1¼ to $29½.

Canada

A LATE rally was not enough to keep Toronto share prices from closing slightly lower in moderately active trading.

The composite index, whicb had been down more than 44 points, ended 13.02 lower at 3,899.13. Losses outweighed gains by 522 to 195. Volume rose to 30m shares from the previous day's 19m.

Inco continued to lose ground, falling C$⅞ to C$35⅝. On Monday, it reported lower third-quarter profits.

Bank of Montreal rose C$⅞ to C$33¼ after raising its provision for losses on loans to less developed countries.

EUROPE

Shaky bourses take fright at transatlantic troubles

CONTINENTAL bourses, still shaky after last week's battering, took fright at the early collapse in New York, some of them losing 2 or 3 per cent, *writes Our Markets Staff.*

FRANKFURT found more reasons to fall. The CDU local election losses were taken more seriously than on Monday; the threat posed by the IG Metall union loomed larger after figbting talk from its chairman, Mr Franz Steinkühler.

Volume stayed relatively low at DM3.2bn, against DM2.8bn on Monday, and the DAX index closed 15.85 lower at 1,507.37 after a 3.71 decline to 635.79 in the FAZ at mid-session.

There was worse to come, at least on paper. Post-bourse trade saw blue chips sharply lower, in line with the early, 85-point drop on Wall Street. So Daimler, whicb had closed at DM710.50, down DM12.50, was quoted as low as DM695 after hours.

Continental topped the most active stocks list in volume of DM262m. Its share price, once again, rose against the trend, closing DM4 higher at DM346 for a gain of DM26 over the past week. There is now quite a showcase of rumours: potential bidders might include the Flick brothers, a Japanese buyer, or Pirelli of Italy, according to some; the price might be getting support ahead of a capital increase, thought others. Continental denied the capital increase story yesterday, and Pirelli any takeover ambitions on its part.

The bard company news came after hours, as the Bonn Government formally approved the sale of state-owned Salzgitter to Preussag for more than DM2bn. A big capital increase from Preussag, DM2.20 lower at DM312.80, may overhang the market until a shareholders' meeting on December 18.

AMSTERDAM had a nasty final two hours as stocks plunged on Wall Street's losses and then picked up marginally, ending 2.9 per cent lower. It was not clear bow much of this was real business and how moch was jobbers marking stocks down, but one analyst warned: "I think the institutions will get more and more scared if these volatile moves get more common."

The CBS tendency index closed 5.5 weaker at 183.2 in fairly active turnover wortb Fl 960m. The big internationals were ths most actively traded stocks, pulled down by Wall Street and a lower dollar. Philips fell Fl 2.10 to Fl 45.10 as 2.3m shares changed hands, and KLM, affected by worries over the turmoil in the US airline sector, shed Fl 3 to Fl 46.

Fears of an overhang of stock were revived when the Government announced that it would float about 30 per cent of the merged NMB-Postbank in early December. Some investors had been hoping that a smaller stake might first be floated, or the move postponed till hrighter days, and NMB ended Fl 8 lower at Fl 240.50.

PARIS managed to open in traditionally firm mood on the first day of tbs November account, only to be knocked down by New York's steep falls as market makers scrambled to unwind long positions. After a slight recovery, shares ended about 1.8 per cent lower.

The OMF 50 index lost 10.89 to 503.39 and the CAC 40 real time index closed 32.66 weaker at 1,832.88. Total turnover was thought to be a moderate FFr3bn, up from Monday's FFr2.6bn.

Blue chips as well as speculative stocks were hurt. Thomson CSF lost FFr7.80, or 3.9 per cent, to FFr191. Paribas fell FFr9 to FFr601 after its bid on Monday for Navigation Mixte. Perrier, full of speculative fizz in recent days, was off FFr45 at FFr1,953.

MILAN fell again as selling of Montedison, down L85 at L1,925, spilled into other blue chips, inclnding Fiat and Pirelli. The Comit index closed 9.04 lower at 652.43 in volume estimated at close to Monday's L150bn.

Nuovo Banco Ambrosiano, with a 13 per cent stake courted by Generali, but won by Crédit Agricole of France, rose from L4,830 to L4,905 at the close, and hit L4,970 in late exchanges. Generali fell L880 to L41,410.

ZURICH saw the Crédit Suisse index down 10.7 to 620.6 in moderate trading; some institutional investors seem to have decided to prune their portfolios before the year-end.

MADRID reflected worries that next Sunday's elections would be a closer race than expected, with all that might imply for the ruling Socialists' economic programme. The general index slipped 1.37 to 313.18.

BRUSSELS fell in busy turnover on its first day of computerised trading since the worldwide slump more than a week ago. Prices opened lower and suffered further declines on Wall Street's opening fall.

Holding company Groupe Bruxelles Lambert lost BFr75 to BFr4,515 after announcing an interim net dividend of BFr55, compared with BFr52.50 at the same time last year.

STOCKHOLM eased on profit-taking. The Affärsvärlden General index dropped 17.5 to 1,259.2.

OSLO paused to wait for this week's spate of corporate results, and the all-share index lost 7.99 to 496.77. Norsk Hydro, which reports tomorrow, fell NKr3.50 to NKr146.50.

HELSINKI declined in a quiet session. Wärtsilä restricted ssries I shares, which were suspended on Monday after shipbuilder Wärtsilä Marine Industries said it was applying for bankruptcy, were requoted and rose FM5 to FM400 in active trading.

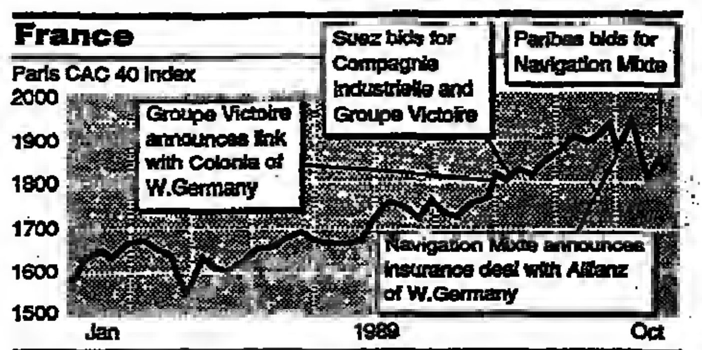
Fragile France bets on speculative stocks

Corporate fundamentals may not be as good as they look, writes George Graham

AFTER being buffeted about once again yesterday in the wash of Wall Street, the Paris market is looking particularly fragile.

Until Friday October 13, the CAC General index had risen steadily since February in a relatively narrow band, but in recent weeks it has seemed to lack any strong underpinning from the fundamentals.

Many French companiee have reported exceptionally high earnings gains in the first half of 1989 – LVMH up 60 per cent, Matra up 88 per cent, Pechiney up 69 per cent exclnding exceptional items, CCF up 38 per cent. But there has been little to justify an npward revision of the forecasts already made for the full year, even if these forecasts are, on average, for a gain of between 15 and 20 per cent. The banking sector, in particular, seems likely to record slower progress in the second half.



Over the longer term, too, a number of Paris analysts have begun to look not only at this year's and next year's likely profit increases, but also at the progression of earnings, smoothed out over a number of years to take account of cyclical fluctuations. This analysis paints a picture of the Paris market as considerably more overvalued than had generally been thought.

Into this market, however, comes the weight of takeover activity – not merely the speculation over who will be the next target, but the liquidity created by the large bids of recent months.

Suez's bid in the summer for Victoire and its holding company, Compagnie Industrielle, when it has been finally completed, will release FFr27bn ($4.3bn) of cash into the market. Paribas is now following suit with a bid valuing Navigation Mixte at FFr22.5bn; if successful, it could release another FFr10bn, not to mention the FFr3bn Paribas had already spent on building up its stake of 18.7 per cent.

In the absence of other clear signals on the direction of the market, this money is seeking outlets in special situations. "We are bound to see increasing speculation as people see, more and more, that French companies just do not have the size they need for 1992 and thereafter," comments Mr John Fordyce, of brokers Ferri International.

In recent weeks, this speculation has centred on Perrier, more than half the capital of which is in the hands of the family of Mr Gustave Leven, the chairman of Exor, a related holding company, or of its own subsidiaries, but which, none the less, is thought of as vulnerable in the medium term to a change of control.

Short of a full takeover, Paris brokers have been speculating this week on the appetites of PepsiCo and Cadbury-Schweppes for Perrier's soft drinks business, including the distribution of Pepsi in France and other fizzy drinks such as Gini, Oasis and Pschitt.

Pernod-Ricard, too, is thought to be potentially vulnerable. "There is a big family shareholding, but there is a big family to go with it," comments one Paris broker.

The battles over the past few years for companies such as Duffour et Igon, Martell, Bénédictine or Prouvost have shown that, once the bidding starts to mount, family loyalty is no longer enough.

Yesterday saw a flurry of activity around retailers Nouvelles Galeries and BHV, already put into a play of sorts when New Zealand's Sir Ron Brierley acquired stakes in both groups.

But trading was dominated by Wall Street, with prices plunging as New York's programme traders once again started to sell in panic on a downturn in the market index.

"If it was just the speculative stocks getting bashed about, you might understand it; but even the really solid companies are being knocked all over the place," complained a broker.

ASIA PACIFIC

Caution brings Nikkei's rising streak to halt

Tokyo

CAUTION won the day in Japan yesterday and share prices closed lower for the first time in six trading days, *writes Michiyo Nakamoto in Tokyo.*

The underlying tone was still firm, however, and nine of the most actively traded issues gained against one loser. The Nikkei average turned sluggish only after early gains had pushed it to within easy reach of its record high of 35,689.98, registered on September 28.

Profit-taking and index-linked selling later pulled the Nikkei to a low of 35,449.36 before it recouped some ground to end 58.97 points off at 35,526.55. The day's high was 35,651.16. Declines led advances by 564 to 389 while 173 issues were unchanged.

Turnover improved to 914m shares, up from the 605m traded on Tuesday. The Topix index of all listed shares retreated 6.31 to 2,681.22, but the ISE/Nikkei 50 index in London rose 2.53 to 2,055.34.

The main worry for the market was the rapid recovery from last week's Wall Street-induced sell-off. The renewed set-back on Wall Street on Monday and the high level of money market rates also discouraged investors.

Profit-taking centred on a number of expensive high-technology issues, which enjoyed a solid run earlier in the month. Sony dropped Y130 to Y8,590 and Pioneer shed Y210 to Y5,900.

The fading popularity of high-technology issues was attributed in part to worries over the growing number of companies in the US, including IBM, that has been reporting lower-than-expected profits. However, brokers expected buying to alternate between high-tech issues and those with strong profits supported by rising demand at home.

These latter shares were backed by the "amenity" theme, which is used to define the trappings of a higher standard of living, such as better housing and fancy resorts.

"For the US in the good old days, there was the American Dream and the Golden Fifties," explained one broker. "That's the kind of thing we have in mind for Japan now," he added, with an embarrassed chuckle.

The companies that are best placed to provide these amenities are the housing, real estate and railway companies that are involved in resort development. Eight of yesterday's top 10 most actively traded stocks were in those sectors.

Tokyu Corp, the railway company that has seen a spectacular surge in volume and price recently, is particularly well suited to benefit, according to Mr Hiroshi Taguchi at Nomura Securities. Not only is it actively involved in the resort and housing business, but it also offers all the ingredients of a takeover target.

Uncommonly for a Japanese company, it has few stable shareholders, so a large number of shares is available on the market. Its price is relatively cheap and it has huge assets. Tokyu has thus attracted wide interest as a takeover issue and rumours have spread that Seibu, another big railway company, is buying shares. Yesterday, it topped the most actives list, with 65.4m shares traded, and added Y170 to a high of Y2,560.

Aoki, a medium-sized construction company, followed in volume terms with 32.5m shares and rose Y60 to Y1,540. Sekisui House was third with 28.5m shares and firmed Y150 to Y2,710.

In Osaka, losses in high-technology issues offset gains in constructions. The OSE average fell for the first time in six days, losing 53.94 to 36,651.06. Volume rose to 88m shares from the 70m traded on Monday.

Roundup

DECLINES in the Southern Hemisphere came in a self-feeding situation, as Australia dropped on economic fears and New Zealand subsided in sympathy.

AUSTRALIA turned from shaky entrepreneurs to economic prospects as a prime topic, and the All Ordinaries index lost 13.9, or 1.1 per cent, to 1,649.2.

Turnover was moderate at 172m and A$224m, up from 102m and A$176m on Monday, and the December share-price index futures contract led the physical market lower as it dropped from 1,654 to 1,629.

Australia's balance of payments for September, due today, was expected to show a current account deficit of between A$1.8bn and A$2.3bn, narrowing from a record A$2.58bn in August. If it were worse than that, the wobbles could start again.

Tomorrow, its consumer price index for the third quarter of 1989 is expected to show an increase of about 2.2 per cent, narrowing from 2.4 per cent in April/June.

Poseidon Exploration topped the turnover list, closing steady at 40 cents with 61.7m shares traded. Poseidon Ltd, the mining company, is bidding 40 cents a share for the 51 per cent of Exploration that it does not already own. Poseidon was steady at A$2.80.

NEW ZEALAND fell by 1.6 per cent in heavy trade after a holiday on Monday. Australian weakness hit it particularly hard in the afternoon, the Barclays index ending 34.02 down at 2,131.54. Air New Zealand, however, finished its first day of trading at NZ$2.75, a healthy premium of 35 cents over the issue price.

National volume totalled 22m shares worth NZ$49.4m, up from 7.2m and NZ$12.9m.

HONG KONG opened firm and closed flat, the Hang Seng index edging down 0.20 to 2,731.97 on light turnover of HK$825m, down from HK$856m on Monday.

Fears of confrontation with China resurfaced on news that the latter's local representation is to "clarify" the reported accord on repatriation of illegal immigrants.

SEOUL rose sharply after its recent losing run, albeit in slow trading, on talk that the local securities authorities are to decide whether to allow insurance firms to invest more in securities. The composite index closed 12.30 up at 903.50.

Currently, insurance firms are allowed to invest up to 18.4 per cent of their assets in stocks and 8.6 per cent in bonds. The figures are expected to increase to 30 per cent and 20 per cent respectively.

SOUTH AFRICA

GOLD stocks in Johannesburg were helped by the steady bullion price yesterday, although trading was thin. Vaal Reefs picked up R2 to R308.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 24 1989						MONDAY OCTOBER 23 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	146.89	-1.3	135.56	126.89	-1.1	5.21	148.79	136.31	128.36	160.41	128.26	147.73
Austria (19)	163.79	+1.0	151.18	136.78	-0.4	1.55	163.14	151.64	137.35	172.22	92.84	95.02
Belgium (63)	144.03	+0.9	132.92	137.82	+0.2	4.01	142.70	132.64	137.60	144.49	125.58	128.47
Canada (122)	148.86	-0.3	137.38	126.33	-0.4	3.25	149.36	138.84	126.81	154.17	124.67	125.68
Denmark (36)	210.39	+1.9	194.18	205.02	+1.9	1.55	206.44	191.89	202.39	219.89	155.35	144.77
Finland (26)	124.99	+0.4	115.35	110.98	-0.6	2.54	124.54	115.77	111.27	159.18	123.12	124.98
France (126)	133.93	-1.0	123.60	121.23	-1.6	2.47	135.25	125.72	123.68	139.94	112.57	106.10
West Germany (97)	98.33	-0.3	90.74	94.01	-0.6	2.19	98.04	91.13	94.55	103.64	79.58	85.06
Hong Kong (46)	115.21	-0.1	106.32	115.48	-0.1	4.89	115.36	107.23	115.65	140.53	86.41	106.00
Ireland (17)	163.67	+1.2	151.05	159.49	+0.4	2.78	161.76	150.36	158.83	166.89	125.00	141.36
Italy (97)	88.08	-0.9	81.29	88.90	-1.7	2.57	88.90	82.65	90.46	96.73	74.57	82.89
Japan (455)	187.28	+0.3	172.84	157.37	-0.2	0.48	186.73	173.63	158.02	200.11	164.22	166.71
Malaysia (36)	202.89	-0.3	187.24	210.31	-0.4	2.52	203.50	189.16	211.15	209.22	143.35	139.78
Mexico (13)	325.94	+0.7	300.80	932.60	+0.8	0.56	323.63	300.82	925.28	325.61	153.32	156.18
Netherland (43)	126.40	-2.0	116.65	119.82	-2.8	4.43	129.02	119.92	123.27	131.72	110.63	109.37
New Zealand (18)	77.89	-1.8	71.88	70.00	-2.0	5.04	79.33	73.74	71.42	88.18	62.64	73.92
Norway (24)	175.10	-1.5	161.59	163.57	-2.1	1.58	177.79	165.28	167.06	198.39	136.92	116.77
Singapore (28)	159.82	-0.6	147.50	144.14	-0.7	2.06	160.84	149.51	145.18	170.62	124.87	121.19
South Africa (60)	143.94	-0.4	132.84	125.10	+0.4	4.53	144.55	134.37	124.65	160.24	115.35	108.96
Spain (43)	160.46	+0.2	148.08	142.59	-0.6	3.70	160.10	148.82	143.48	169.75	143.14	130.34
Sweden (35)	178.84	-0.4	165.04	168.31	-1.1	2.03	179.62	166.96	171.24	188.94	138.45	129.04
Switzerland (64)	87.99	-0.9	81.20	87.93	-1.7	2.15	88.80	82.54	89.48	94.18	67.81	83.18
United Kingdom (306)	141.46	-1.0	130.54	130.54	-1.7	4.66	142.92	132.85	132.85	158.41	133.28	135.67
USA (547)	139.58	-0.4	128.81	139.58	-0.4	3.32	140.07	130.20	140.07	146.29	112.13	115.18
Europe (996)	125.04	-0.7	115.40	117.97	-1.6	3.56	125.89	117.02	118.71	132.95	112.63	112.61
Nordic (121)	168.97	+0.4	155.94	155.24	-0.4	1.84	168.33	156.46	155.81	178.38	137.95	123.12
Pacific Basin (669)	182.96	+0.2	168.85	163.92	-0.3	0.72	182.60	169.73	164.41	194.72	160.44	155.33
Euro-Pacific (1665)	159.87	-0.1	147.54	145.55	-0.7	1.62	160.00	148.73	146.51	166.96	141.56	144.27
North America (669)	140.04	-0.4	129.23	138.75	-0.4	3.31	140.53	130.62	139.24	146.66	112.79	115.71
Europe Ex. UK (690)	113.99	-0.4	105.20	110.10	-1.3	2.81	114.49	106.42	111.50	118.51	96.30	98.12
Pacific Ex. Japan (214)	131.09	-0.8	120.96	118.42	-0.9	4.76	132.25	122.93	119.44	140.05	111.23	124.57
World Ex. US (1860)	159.44	-0.1	147.15	144.94	-0.8	1.70	159.59	148.34	145.69	165.35	141.49	143.29
World Ex. UK (2101)	152.28	-0.1	140.53	144.32	-0.4	2.00	152.43	141.69	144.96	156.64	136.96	132.06
World Ex. So. Af. (2347)	151.34	-0.2	139.66	143.15	-0.6	2.21	151.60	140.92	143.96	155.92	136.67	132.50
World Ex. Japan (1952)	134.24	-0.5	123.89	133.40	-0.8	3.47	134.90	125.39	134.46	140.43	114.51	114.96
The World Index (2407)	151.29	-0.2	139.62	143.02	-0.6	2.22	151.56	140.88	143.61	155.89	136.68	132.96